

Nation's Business

A USEFUL LOOK AHEAD

SEPTEMBER 1960

POLITICAL POWER GOALS:

WHAT UNIONS WANT NEXT

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How to listen to politicians **PAGE 31**

World trade: Booming market **PAGE 34**

Stay on top of your job **PAGE 94**

Here's way to real growth **PAGE 40**



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BELL TELEPHONE SYSTEM



Nation's Business

September 1960 Vol. 48 No. 9

Published by the Chamber of Commerce of the United States
Washington, D.C.

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Three good customers, a supplier, and an anxious wife tried to reach this man in vain while he used his telephone for the inside call pictured above.

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This is costly!

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2. LOCATE EXECUTIVES: In addition, from $\frac{1}{4}$ to $\frac{1}{2}$ of key people are "away from their desk" during busy hours. Not available. With courteous, modulated Executone paging, important messages reach them. They're always available for the important jobs!

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MEMORIAL

to a once-thriving one-man business!

Too often, a businessman leaves only problems for his heirs. Here's how Business Insurance from New York Life can help solve them!

When the owner of a "one-man" business dies, much of the value of his business often dies with him.


Even if his wife or children are capable of continuing the business, they must first settle taxes, wages, legal fees, and other debts. Should the family be forced to sell, the business may barely "pay its way out." The work of a lifetime can be lost in a day.

A foresighted businessman can guard against such a tragic loss, can assure his heirs the full value of his business—through Business Insurance from New York Life. Under a proper plan, the family will have the cash needed to 1) settle business debts, 2) offset the loss from disruptions

and "shrinkage" in values which follow death, or 3) help dispose of the business favorably.

This is only one of many, many types of Business Insurance New York Life offers. Whether you are interested in protecting your family, company, or employees, it will pay you to talk to your New York Life Agent. Or write: New York Life Insurance Company, Dept. NB-8, 51 Madison Avenue, New York 10, N. Y. (In Canada: 443 University Avenue, Toronto 2, Ontario)

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management's WASHINGTON LETTER

►HOW'S BUSINESS?

"Volume's okay--but profit's down."

That's how one businessman sums up today's outlook.

►HERE'S PICTURE taking shape:

Firm with \$1.05 per share earnings at this time year ago now has \$1.01.

Sales meanwhile are running 4½ per cent higher.

Economists think this is roughly what is happening to many companies.

►BUSINESS--over all--stands at record high.

U. S. currently is producing goods and services at rate about \$17 billion a year higher than year ago.

Volume is climbing.

But rate of climb is uneven.

This, according to some, is what's wrong.

Around the corner, they warn, lurks recession.

Does it--really?

Could be. But feeling is based more on attitudes than facts.

Biggest fluctuations in 1960 have been in attitudes, not facts.

Although business is speeding along at record rate, politicians (and some economists) are unhappy because it isn't speeding along faster.

►BUSINESS MOVES AHEAD--despite gloom talk.

Look at total personal consumption.

Consumers currently are buying at rate of \$27.4 billion a month.

That's higher by \$1.3 billion than monthly rate a year ago.

►WITH MORE INCOME than ever before, best credit ratings, consumers are able to buy what they want.

Thing to remember about consumers is they're discerning, looking for quality, shopping around, can decide to buy or wait as they wish.

Caution sets consumption pace.

Consumers have the advantage. This is no seller's market.

Competition, already stiff, will grow stiffer.

Consumers in foreseeable future won't go on buying splurge.

But you can expect total consumption

to rise steadily in months ahead as income rises.

►CONSUMERS also are building up a backlog of spendable cash.

Currently Americans are saving \$7.30 from each \$100 of income.

That's \$365 a year for families with \$5,000 after-tax income.

Savings rate is up from \$6.80 as year started, but it's no record.

During third quarter of '58 consumers saved \$8.40 from each \$100 of income.

What current savings rate means is that consumers are adding to nest eggs at rate of about \$2.1 billion a month.

►WHITE HOUSE ACTS to spur business confidence.

Action comes without fanfare.

Antirecession move?

No. Actions aren't that positive.

Administration chiefs note that growth rate is slower than it was, so economic heads were huddled together to find answer to this question:

What can government do--quietly--to stimulate business?

These actions are in the works:

1. Step up defense orders.

Placement of new orders normally lags at this time of year. But placements will run ahead of schedule for next two or three months.

2. Increase funds for housing.

This is intended to liven construction industry, give a lift to housing outlook for early 1961.

3. Keep highway program moving.

Hope is to keep road building going, avoid hesitations that might be caused by uncertainty of program's future financing.

States will be able to plan programs further ahead.

►INDUSTRIAL PACE will quicken.

That's prospect for fall months.

How much is question.

Some Washington outlook specialists think pickup will surprise many forecasters.

View's expressed privately to editors of NATION'S BUSINESS by top government economists who think rebound will come in final quarter.

Business, emerging from slow season,

could surpass \$515 billion output rate by Christmas.

Here's why:

Auto plants, down for model changes, will surge back to high production rate in big push to keep car sales rolling.

Steel, with inventories worked down, will climb back in the fall.

Total production index, which has not slumped as much as it did during 1959 steel strike, may show healthy rebound within 60 days.

In addition:

Government actions will inspire new business confidence.

Construction outlook for early '61 will brighten.

Exports are rising toward possible record in 12 months ahead.

►TAX COLLECTIONS are slipping.

What's happening reflects changing economic conditions you'll need to know about.

►HERE'S THE STORY in advance:

Treasury officially forecast tax collections at \$84 billion for fiscal year now two months old.

Now it appears that's too high.

Officials, taking new look, find some changes coming.

Government will announce new estimate later this month.

►WHAT TO EXPECT:

Treasury based earlier estimate on possibility of \$51 billion corporation profits this year.

But profits are more likely to come out about \$48 billion.

That means Uncle Sam's collections from profits would have to be revised downward about \$1.5 billion.

►POLITICAL CONSIDERATIONS set tone for budget announcement to come this month or next.

Administration's political chiefs are not eager to admit profits are falling short of their expectations.

Therefore, watch for White House to emphasize rising personal incomes.

Earlier forecast was based on total personal income of \$402 billion.

Economic chances are good that final count will exceed this amount.

Payroll withholding taxes are running about as expected.

But personal income taxes not withheld are running ahead of expectations.

►QUESTION BEING PONDERED in White House now is this:

Will personal incomes rise enough this year to overcome paper loss from profits lower than predicted?

Partially.

That's best answer at this time.

Watch for total personal income to average out about 5½ per cent above past year.

►UNCLE SAM WHITTLES his funny money holdings. More cuts planned.

What's funny money?

It's a \$1.2 billion chunk of your tax payments.

That's how much government has tied up in unspent foreign currencies.

Biggest bundle: 1.8 billion Indian rupees (\$379 million).

Smallest: 1,743,000 Laotian kips (worth total of \$49,800).

All together we've got currency from 56 nations.

It's called funny money by some officials because much of it can't easily be spent--as our own dollars can be.

How do we get this stockpile?

U. S. sells farm surpluses to foreign nations, takes their money in payment.

That's chief source.

U. S. then attempts to return money in form of loans, grants to countries which bought our surpluses.

Problem is some countries are in no hurry to have their currency returned.

But U. S. plans reduction of tied-up funds.

Goal: Slice off close to \$50 million by a year from now.

One way is through new international agency that would make easier loans to underdeveloped nations than currently can be made by World Bank or Export-Import Bank.

►NEW OPPORTUNITIES are opening up for American products abroad.

Total market in foreign countries for imported goods now exceeds \$85 billion a year.

This market, according to government

analysis, is expected to reach at least \$100 billion in next five years.

Could climb as high as \$110 billion.

That means there's a chance for exports in five years to rise between \$3 billion and \$5 billion a year.

Imports, during five years ahead, will rise at approximately the same rate as our total national economy.

But exports will rise faster.

Where do opportunities exist?

Which goods are wanted?

What's being done about roadblocks to more trade?

Businessman in government--Bradley Fisk, former department store executive in Buffalo--Assistant Secretary of Commerce for International Affairs, answers these and other questions about foreign trade on page 34.

►RIGHT-TO-WORK LAWS will be hot issue in at least six states this fall.

Implications are nationwide.

Actions in states constitute first step toward enactments that would involve business in all states.

Here's background:

Efforts to pass right-to-work laws in '58 succeeded only in one state (Kansas, which became nineteenth state with law against compulsory union membership).

Voters in Ohio, California, Colorado, Washington, Idaho rejected proposals.

For preview of the future, watch three states where principal drives for repeal will be made this fall:

Kansas, Indiana, Utah.

Coming fight will center on election of officials who are for or against compulsory union membership.

Other states attempting to pass right-to-work laws are:

Delaware, New Mexico, Vermont.

At national level, union leaders are hopeful that next Congress will repeal section of Taft-Hartley labor law which permits states to have laws against compulsory union membership.

Repeal of this section would kill all 19 state laws with one action.

►WHAT YOU'RE HEARING from politicians indicates vigorous and costly expansion of federal welfare programs.

National defense cost is big.

But biggest increases are coming in

nondefense spending. Look at these facts:

For every \$1 spent for defense in 1954 (after defense spending plunged from Korean war peak), Uncle Sam spent 53 cents for all other programs.

For each \$1 going for defense now, nondefense spending equals \$1.10.

Why the rise?

Expansion of welfare programs.

Example:

Uncle Sam spent \$10.7 billion for welfare and labor in 1956.

Trend points to \$20.3 billion welfare outlay in 1961.

Full story--"Where Tax Dollars Are Going"--appears on page 92.

►WATCH OUT FOR TRICKY statistics.

You'll hear plenty of them in next couple of months.

Example:

Between 1947 and 1953 our growth rate was 4.6 per cent a year.

From 1953 to 1959 our national growth fell to 2.4 per cent a year.

That's political selection of statistics.

Figures "prove" America grows faster under one party than the other.

But you can prove also that opposite is true by using figures from different periods.

Such comparisons distort what's really happening to American business, ignore actual long-range trends.

Look at economic growth over a longer time--half a century, for example.

From 1910 to 1960, country's real output of goods and services rose by an average 2.9 per cent a year.

But no year expands exactly on the average.

For example, growth from 1910 to 1930 averaged 2.2 per cent a year.

From 1930 to 1950 the average was 3.4 per cent.

Average from 1950 to 1960 was 3.5 per cent.

If you care to make the point, these figures "prove" that our growth rate is picking up, not slowing down.

►HOW TO LISTEN to political speeches during two months ahead is told in comprehensive analysis on page 31.

You'll find it useful.

why can't our
business letters look
as attractive as this?



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Business opinion:

Government program drives up cost of local medical care

YOUR SUGGESTION that businessmen attend the White House Conference on Aging and other state and local meetings [June] is good, but:

These meetings will be crowded with, and dominated by, welfare people who are intent on perpetuating their bureaucracies.

The businessman does not have the money, time or knowledge to compete effectively.

Until Jan. 1, 1959, we had a county medical program in Fremont County (population about 11,000). The cost was about \$300 a month. A state-administered program now costs more than \$3,000 a month. I have no doubt that a federal program would cost \$300,000. According to the doctors, the county program was adequate and more effective.

We had a meeting of a legislative committee investigating welfare programs in this town last month. One business person attended—me. I suggested that the County Board of Social Welfare should have a little authority. A legislator said they could not and receive federal aid. The chairman of the County Board of Supervisors told them we did not need either state or federal aid, and they just said they did not believe him.

This is a far greater problem than people realize.

ELIZABETH HALL
Hall Abstract Company
Sidney, Iowa

Gardening's booming, too

We were surprised that Robinson Newcomb, in "Get Ready for the Luxury Boom" [August], did not mention gardening and home landscaping.

This industry has increased greatly in volume in the past decade to an estimated \$835 million annually, and continues to grow through recessions, as well as the good years. People are far more conscious of the beauty of plant life around their homes, while the tremendous surge for garden living on the whole property has been unprecedented.

H. P. QUADLAND
Director of Information
American Association of Nurserymen
New York, N. Y.

Battling for free enterprise

We are battling to keep our improvement program on a local free-enterprise basis in a growing area that needs some improvement and which has been getting it steadily if not sensationally.

We would appreciate permission to reprint the article "Rebuild your City this Better Way" [April].

KENNETH A. BUNDY
Editor
The Aurora Star
Aurora, Colo.

► *Permission granted on this and other requests for reprint permission (see below).*

Winning elections

I want to congratulate you on your fine story on "How to Win an Election" [August].

The value of this article for us in Carlsbad will be felt in many ways; building morale locally, and presenting us as a town with a majority of progressive people who have become aware of the importance of active participation in our local and national government. Nationally, I hope that other cities and communities will be encouraged to undertake such a project with the assurance that it can be done.

E. O. MOORE, JR.
Mutual of New York
Carlsbad, N. Mex.

New market tools hailed

Your article, "Fight For Sales Changes Marketing Methods" [July], was extremely timely and to the point.

Two developments the article touched on may be worth further exploration.

The first is the growing use of consumer panels by industries other than food. The food industry, because of its highly competitive marketing problems, has been utilizing the National Consumer Panel for 20 years. Recently, automobile and textile manufacturers have been seeking greater insight into consumer purchase behavior through the data provided by a continuing national panel.

The second development is the growing application of advanced mathematics to this consumer data



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to come up with more efficient and reliable predictive techniques. In addition, mathematics is being used to formulate marketing laws that can be used to generalize the consequences of marketing actions over a wide range of possibilities.

ROBERT R. RUSTING
Asst. Director of Communications
Market Research Corporation of America
New York, N. Y.

War College selection

The academic staff of the War College has recommended, as selected reading for the students, “The Untold Story of the U. S. Budget” which appeared in *NATION'S BUSINESS* in March.

Request your permission to reprint this article in 200 copies per academic year to be used only within the school's activities.

H. H. GOURLEY
Lt. Colonel, USAF
Deputy for Administration
War College
Air University
Maxwell Air Force Base, Ala.

Advice with wide value

The advice in “You Can Be a Better Leader” [June] will be of inestimable value, not only to businessmen, but to my two R.O.T.C. sons, my women's business club, a friend's family going through difficulties, and to almost any group.

DOROTHY L. MANN
Brookline, Mass.

Nation's Business in Dutch

Within the past several months the Esso Rotterdam Refinery purchased some 50 different reprints from you.

Many of the articles would provide valuable information for use in our supervisory development program.

Our problem is that only a small number of supervisors read and speak English fluently enough to use these materials.

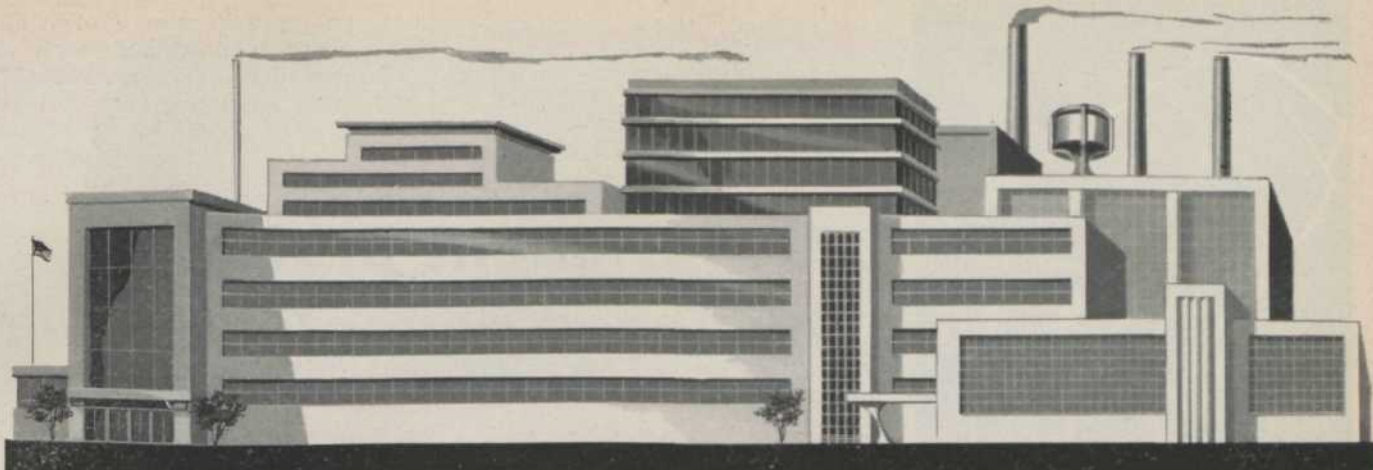
We would like your permission to make condensations or reprints so we can fit them into our program and translate others into Dutch.

LOUIS W. LERDA
Esso Nederland, N. V.
Rotterdam, The Netherlands

World reporting praised

Please accept my hearty congratulations on your excellent coverage of the major issues in the cold war, under the general heading “Future of the World” [May]. Your selection of contributors and handling of their articles makes a superb presentation, and I am sure that influential businessmen who read your magazine will profit greatly from this kind of story.

JOHN W. NASON
Foreign Policy Association
New York, N. Y.



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John Hancock
MUTUAL LIFE INSURANCE COMPANY
BOSTON, MASSACHUSETTS

YOUR TAXES

Government probing business deductions

Uncle Sam is making two studies that may lead to changes in the tax laws

TWO TAX STUDIES now under way could change your future costs of operation.

One investigation is looking into how business writes off the cost of plant, equipment and other property.

The other is delving into deductions business takes for expenses of entertainment, gifts, and club dues.

Businesses all over the country are helping supply information for these two studies. The investigations could well lead to new tax legislation in the next Congress.

The U. S. Treasury Department, with the help of the Small Business Administration, sent out surveys to get a sample of 6,000 American businesses, small and large. Treasury officials said the purpose of the survey is to "provide a broad statistical basis for an up-to-date understanding of depreciation practices within industry groups and for general classes of depreciable properties."

Depreciation laws were written to recognize the declining value of an asset because of wear or obsolescence. Part of the cost of such property used in a business or trade may be deducted for tax purposes each year of the asset's useful life.

There's no guarantee that the law or Treasury rules for depreciation will be revamped. But technological advances and foreign competition are forcing businesses to replace old equipment and machinery at an increasingly faster pace. It takes from 12 to 30 years to recover money invested in machine tools in the U. S., for example. This compares with four to eight years in industrial nations of Europe. Inflation makes the cost of new machinery much greater than that of machines replaced.

New workers will be pouring into the labor force at the rate of more than one million a year during the 1960's, compared with 700,000 during the 1950's. Since it takes about \$15,000 in capital investment to support each new job, tremendous increases in plant and equipment will be needed if these new workers are to find work.

The tax laws were revised in 1954 and 1958 to let certain businesses write off costs of new plant and equipment at faster rates. This year, at the request of the Eisenhower Administration, legislation was introduced to levy taxes at ordinary income tax rates rather than at the present lower capital gains rate on profit from the resale of depreciable property. The Administration indicated that once this change was made, the way would be clear for legislation to liberalize the rules for writing off the cost of equipment quicker.

The Administration maintained that under present law some taxpayers try to claim excessive depreciation before disposing of their property. If profits from the sale of depreciable personal property were treated as ordinary income, officials said the advantage gained in claiming excessive depreciation deductions would be reduced and "the taxpayer's judgment as to the useful life of his property could more readily be accepted." In other words, Internal Revenue would probably let business write off the cost more quickly.

Taxing at income rather than capital gains rates was suggested in the Truman Administration, too, but Congress didn't go along with a measure then either.

Sen. Harry F. Byrd, chairman of



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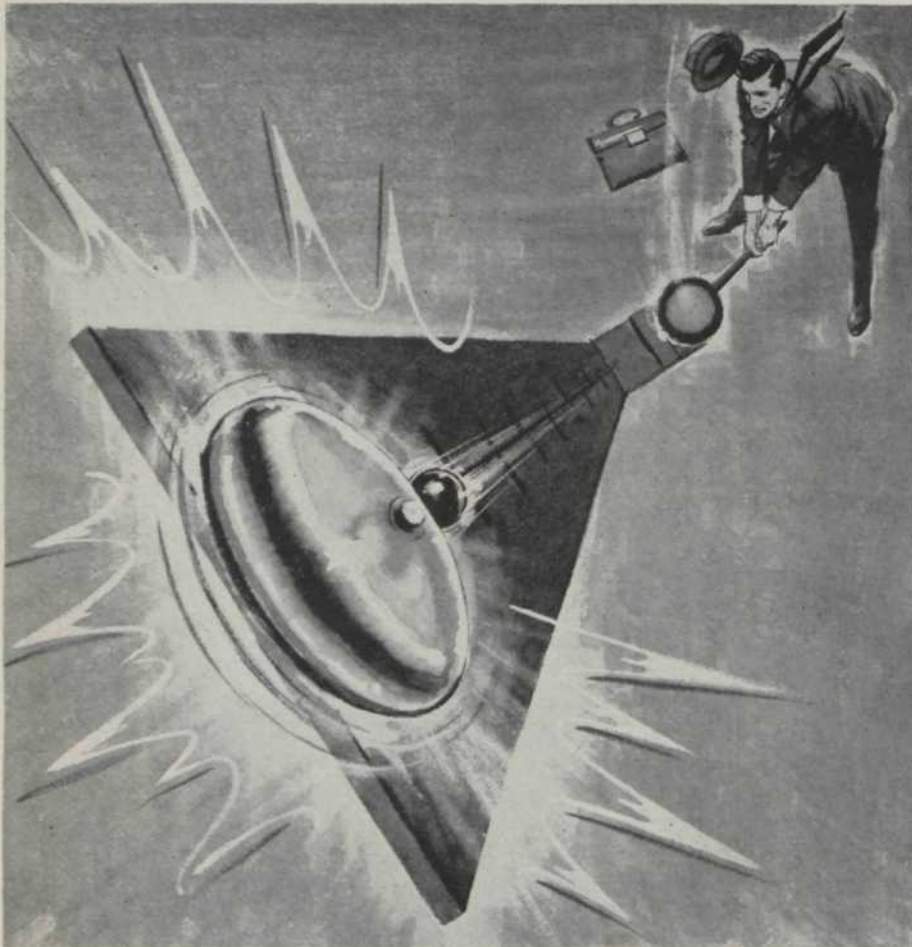
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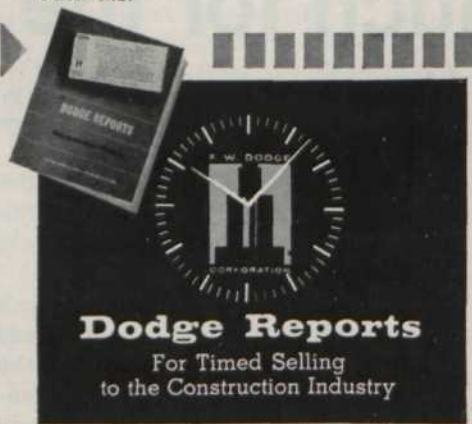
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YOUR TAXES

continued

the Joint Committee on Internal Revenue Taxation and the Senate Finance Committee, explains that Congress has had a lot of difficulty in the past with regard to various proposed changes in depreciation provisions and in considering legislation dealing with depreciation because of lack of information on the subject. He urges business to "give full and prompt participation in the new survey of depreciation practices," and says it will help provide a sound basis for revising present law.

The second investigation, still in the preliminary stages, will bring together congressional and Treasury tax specialists to examine use and misuse of the tax deduction permitted for "ordinary and necessary business expenses" as the law puts it.

Concern has been growing both in Congress and at Internal Revenue over people who "live high on the expense account." This summer, the Senate passed an amendment to the tax laws to bar any deduction for entertainment expenses except for food or beverages to advance a taxpayer's trade or business. The amendment also would have disallowed deductions for dues or initiation fees in social, athletic or sporting clubs. It would have permitted deductions for gifts up to only \$10 per person per year.

The House wouldn't agree to this Senate amendment, so it failed to become law. However, the amendment, sponsored by Sen. Joseph S. Clark of Pennsylvania, will undoubtedly be pushed even harder in the future. He charges that luxurious living on the expense account, deducted as business expenses, is costing about \$250 million a year in lost revenues.

A businessman could take as many guests to night clubs, horse races, prize fights, Broadway hits or yachting cruises as he wanted but, under the Clark bill, the businessman would have to pick up the tab himself, not deduct it as a business expense.

The reason the Clark measure hasn't won more support is that many members of Congress and the Administration see problems of inequity, administration, and interpretation in the proposal.

As the Treasury pointed out, the sweeping nature of the Clark bill raises such questions as these: If a businessman took a customer to

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YOUR TAXES

continued

dinner in a place that provided live music in the background, would it be an expenditure solely for food or partly for entertainment? Would the exclusion of gifts over \$10 include business expenditures for scholarships, gifts to widows of deceased employees, expenses for employee recreational facilities, prizes and awards? Would deductions be denied for dues paid to businessmen's luncheon clubs and civic organizations, such as Rotary, Kiwanis or Lions Clubs? Is it fair to allow deduction without limit for food or drinks, but deny a less expensive entertainment deduction?

Senator Clark believes his bill is clear and that it couldn't be construed to eliminate legitimate business deductions for scholarships, for instance. But to help in preparing clear future legislation, Congress told its Joint Committee on Internal Revenue Taxation and the Treasury Department to "make a full and complete investigation" of the operation and effect of present law, regulations, and practices relating to deduction of expenses for entertainment, gifts, club dues.

The Joint Committee and Treasury are expected to report on this study in the next Congress.

In addition, the Treasury was told to report the results of a recently adopted enforcement program of Internal Revenue aimed at digging out cases where the business expense deduction is being misused.

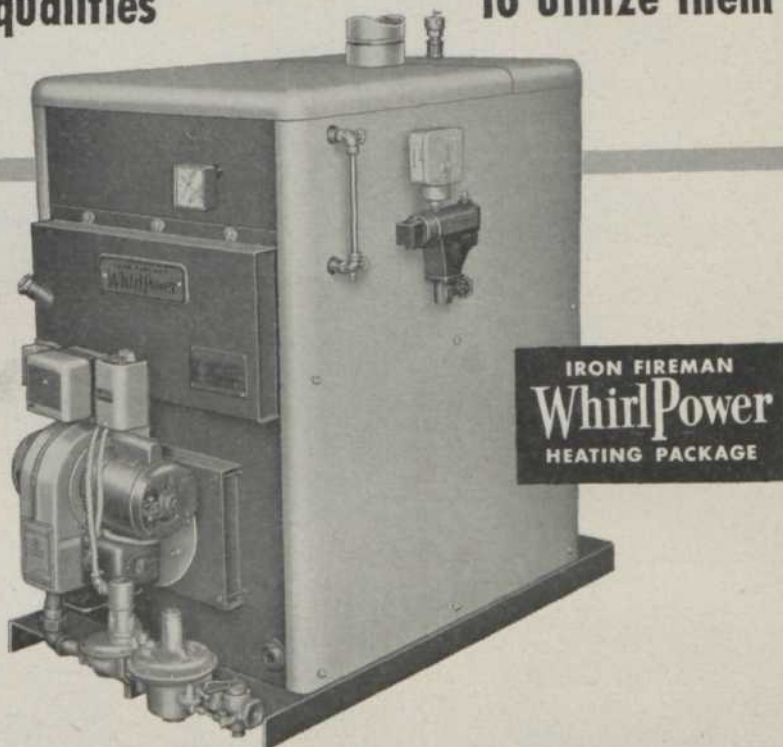
The agency also is requiring additional information on returns from corporations, partnerships, and proprietors regarding expenses and expense accounts. The Internal Revenue forms are asking if businesses claimed deductions for expenses connected with a hunting lodge, resort, pleasure boat or yacht, or in connection with hotel rooms or apartments used by customers or officers or employees or members of their families. Internal Revenue also wants to know if expenses of attending conventions or vacations for business employees or their families were deducted.

A "yes" answer doesn't necessarily mean a claimed deduction will not be allowed, but returns with these deductions will be scrutinized. Whatever this scrutiny discovers will be part of the report on how business is using deductions for its expenses. It could well bring tighter rules for the future. **END**

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Campaign outlook hinges on unanswered questions

BY EDWARD T. FOLLIARD

THIS PRESIDENTIAL CAMPAIGN of 1960 is truly a national campaign, with the battleground extending from Nantucket Island in the Atlantic to Hawaii in the Pacific and from the Arctic to the Rio Grande.

Vice President Richard M. Nixon, the Republican nominee, says he intends to stump all 50 states. He will make a serious effort to do what Herbert Hoover did in 1928 and Dwight D. Eisenhower did in 1952-56 by breaking into what was once the "solid South"—so called because for a long time it was in fact solidly Democratic. He will also be aiming at the border states.

Sen. John F. Kennedy, the Democratic nominee, surely will range just as far and work just as hard as his rival. The New Englander has real hopes of carrying Maine and Vermont, the only two states to cling to the Republican Party in the Roosevelt landslide of 1936. Neither candidate is conceding any states to the other.

Mr. Nixon, the first Vice President to win a presidential nomination since Martin Van Buren did it 124 years ago, says that this will be "the closest election in this century in America." He thinks it will be so close that even Hawaii's three electoral votes or Alaska's three may determine the outcome.

It could turn out that way, but the chances are that it won't. Most of our presidential elections have been rather lopsided. This one will be, too, if either nominee gets the bulk of the big-vote states.

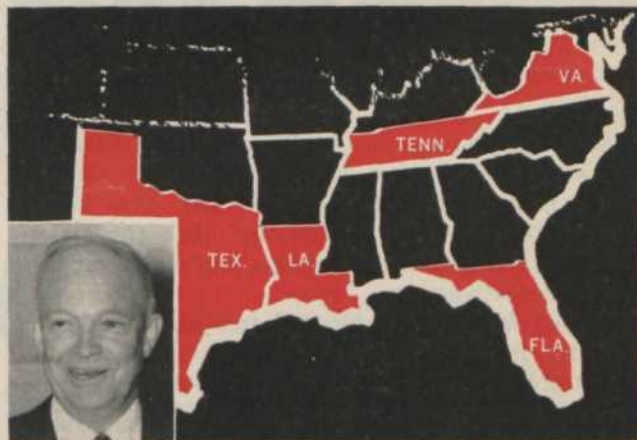
A good many of the professionals believe that the candidate who carries New York will be the next President. Their reasoning is fortified by some impressive statistical and historical evidence, as a look at the books will show.

New York's 45 electoral votes are more than equal to the electoral votes of 12 of the smaller states—Arizona, Delaware, Idaho, Nevada, New Hampshire, New Mexico, North Dakota, Rhode Island, South Dakota, Utah, Vermont and Wyoming. The candidate who carries the Empire State will have between

a fifth and a sixth of the electoral votes needed to win, 269.

Twenty-one presidential candidates who have carried New York in the past century have moved into the White House. Only four have won the Presidency in that period without New York—Ulysses S. Grant in 1868, Rutherford B. Hayes in 1876, Woodrow Wilson in 1916, and Harry S. Truman in 1948.

Some historians argue that Samuel J. Tilden, who carried New York in 1876, should have been declared



President Eisenhower proved that Republicans can break into once solidly Democratic South

the winner over Hayes in that year's highly controversial election.

Mr. Truman almost certainly would have carried New York 12 years ago had it not been for Henry Wallace, nominee of the Progressive Party, who polled 509,000 votes there. The Missouri political warrior probably would have received most of these votes in a two-man battle. As a consequence of Mr. Wallace's third-party candidacy, Republican Thomas E. Dewey won the state by about 60,000 votes, but

TRENDS: WASHINGTON MOOD

went down to defeat because he failed in Ohio, Illinois and California.

Anyway, with New York's box score in mind, it is easy to understand why Vice President Nixon made his pilgrimage to Manhattan just before the Republican National Convention in Chicago, and why he entered into his dramatic agreement with Gov. Nelson A. Rockefeller.

Governor Rockefeller had earlier criticized the Vice President, saying he had not told the voters where he stood on the great issues of the day and was going into the 1960 campaign with a question mark on his banner. The New York liberal also had made an oblique attack on President Eisenhower for not spending more on the armed forces.

Mr. Nixon must have concluded that his chances of getting New York's 45 electoral votes would be



Only four men—Grant, Hayes, Wilson, Truman—have won Presidency without carrying New York

bleak indeed unless he made an ally of Governor Rockefeller and forced through a platform that reflected some of the Rockefeller views. This he did in spite of the cry of "sell-out" that came from Sen. Barry Goldwater of Arizona and other Republican conservatives.

Viewed from a cold-blooded political standpoint, the Vice President's maneuver was a brilliant one, comparable to Senator Kennedy's ten-strike when he lined up Sen. Lyndon B. Johnson of Texas for the Democratic vice presidential nomination.

Senator Kennedy also was accused of a "sell-out." Some of the extreme liberals in the Democratic Party, including labor leaders, wanted him to write off the South if necessary in order that he might have greater appeal to voters in the North, especially Negro voters.

Like the Vice President, Senator Kennedy is a realist in politics. He saw no good reason why he should write off Texas with its 24 electoral votes or other states in Dixie that might be saved with the help of Senator Johnson.

At this stage, nobody can say for certain that Mr. Nixon assured himself of New York by his pact with

Governor Rockefeller, or that Senator Kennedy nailed down Texas and most of the South by persuading Senator Johnson to be his running mate. Least certain of all are the nominees themselves, who say they are taking nothing for granted.

Both standard-bearers have certain advantages as they close in for this championship battle.

Mr. Nixon's advantage lies in the fact that he has been an understudy of President Eisenhower in the critical years beginning in 1953, has met with Soviet Premier Nikita S. Khrushchev and other world leaders, and can therefore argue that he is better able to deal with international affairs than his opponent. How much importance the Californian attaches to the foreign-policy issue was indicated by his choice of Henry Cabot Lodge, Jr., as a running mate.

Senator Kennedy's advantage is that there are more Democrats in the country than Republicans—at least more registered Democrats. This is reflected in the top-heavy Democratic majorities in Congress.

Vice President Nixon acknowledges this Kennedy advantage, and says that anybody who doesn't realize that the Republican Party starts out in an underdog role "has a hole in his head."

What then leads Mr. Nixon to think that he can overcome this Kennedy advantage and win the Presidency? His answer is that "people in recent years have developed the idea of voting for the man rather than the party." Obviously, he has in mind President Eisenhower's landslide victories that have kept him in the White House for nearly eight years in spite of the fact that the Democrats have had control of Congress for most of that time.

Here we come to two imponderables that are likely to remain imponderables until the voters have cast their ballots.

First of all, will the millions of Democrats and independents who voted for General Eisenhower also vote for Mr. Nixon? The 47-year-old Californian knows that he is not regarded as a hero or a political idol; he even acknowledges that he is without the glamor that his 43-year-old rival seems to have for many. Nevertheless, he believes that with hard work and persuasive arguments he can win over enough switch voters on Nov. 8 to gain the victory. A Gallup poll last month showed Mr. Nixon to be leading Mr. Kennedy, 50 to 44, with six per cent of those polled undecided for whom they would vote.

Imponderable No. 2 is Senator Kennedy's religious faith (Roman Catholic). How will that affect his political fortunes? Will it help him or hurt him?

Vice President Nixon thinks it will both help him and hurt him. Moreover, he believes that the advantages and the disadvantages will cancel each other out. Most of the political railbirds here agree with this appraisal of the matter.

There remains one other possible factor, and that is what happens on the international scene between now and Nov. 8, or what does not happen. All that a political observer can do is to ask questions.

Would a Russian-provoked crisis, say one over Berlin, cause voters to turn to the Nixon-Lodge ticket? Would a well behaved Premier Khrushchev and a tranquil world scene help the Kennedy-Johnson ticket?



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Control, not dollars, is real school issue

BY FELIX MORLEY

SPEAKING at the University of Wisconsin Summer School recently, an official of the Department of Health, Education and Welfare asserted that "educational needs" in 1970 will demand governmental expenditure of "at least" \$9 billion more than is currently going for that purpose. It is clear that he had constant dollars in mind, and that with further currency depreciation the figure would be proportionately higher.

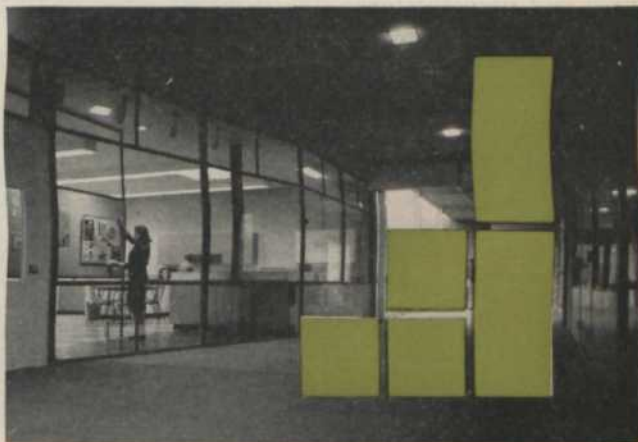
Public elementary and secondary education during the current calendar year is absorbing approximately \$16 billion of tax revenues, of which five per cent come from national, 40 per cent from state and 55 per cent from local levies. So the forecast made by Dr. Fred F. Beach, director of educational administration in the U. S. Office of Education, is for an anticipated minimum increase of 60 per cent in public education expenditure during the decade ahead.

This figure is in no way startling. Since 1900, on a per-pupil basis and measured in constant dollars, the cost of public education has been doubling every 20 years. As this schooling tends to become ever more extravagant there is certainly no reason to expect a downward alteration in the upward trend.

What is debatable is Dr. Beach's thesis that the anticipated cost rise makes federal aid to education both more desirable and more probable. It is not difficult to show that exactly the opposite is nearer the truth.

The first point to be noted is that the gross national product, even when measured in depreciating dollars, is not currently increasing as fast as the alleged school needs. This means that revenue from present tax rates cannot be counted upon to cover increased educational expenditure on the scale anticipated. To assure continuation of even the present degree of federal aid to education, there must either be more deficit financing, higher federal taxes, or offsetting economies in other fields of public expenditure. The platforms of both political parties make the latter alternative seem highly improbable.

It is easier to show that higher taxes will be needed to meet school needs than to say what those increased levies will be, and where applied. The problem has been considered by Dr. Beach, for he doubts that state and local governments will raise the funds that he deems essential. Therefore, he concludes, though



The cost of public education in this country has been doubling every 20 years since 1900

"not as a spokesman for the Office of Education," that more federal aid to education is necessary.

This parrot-like argument of school administrators completely overlooks two important considerations. In the first place there are, in the entire country today, a mere handful of school districts unable to raise more funds by reason either of legal limitations or of financial incapacity. In the vast majority of cases it is only necessary that the local voters, acting through democratic processes, should authorize the desired expenditure. As these voters are for the most part also the patrons of the schools, it may be assumed that they are in general at least as well informed on local education needs as any Washington official.

And even if it were true that American parents as a whole are incompetent to judge whether their chil-

TRENDS: STATE OF THE NATION

dren are well or ill taught, a second factor would have to be confronted by the bureaucrats of Health, Education and Welfare. They have a responsibility to show how Washington is going to raise the billions of dollars which, they assert, the American people will not of their own free will provide for public education. That information is not provided by the always generalized charge that states and localities are derelict in their duty.

The issue of educational financing is squarely, and therefore refreshingly, confronted by Roger A. Freeman in his current study of "Taxes for the Schools." This is a companion volume to Mr. Freeman's factual analysis of "School Needs in the Decade Ahead," which attracted much attention when it appeared two years ago. In his present volume the author does not seriously question the estimates that from \$9 billion to \$12 billion above present costs will be demanded for public education during the 1960's, but addresses himself to a close consideration of how the money can be raised.

There are, as Mr. Freeman points out, fundamentally only three types of levy by which government can raise funds for education or any other purpose. These are, broadly speaking, income taxes, sales taxes and property taxes. Which of these can most logically and efficiently be made to bear the burden

and corporate. The latter, Mr. Freeman thinks, is so largely passed on to consumers in the form of higher prices as to be really "a sales tax in disguise."

However this may be, it is apparent that federal income taxes, higher here than in any other country, are at, or close to, the point of diminishing returns. Even with more rigorous collection methods, higher rates could easily bring a smaller yield. In short, the federal tax structure is unable to carry the burden of federal aid to education, unless other welfare measures, and/or defense expenditures, are cut down in the schools' behalf. Uncovered borrowing is certainly no solution. Deficit financing runs counter to the grim fact that a strong dollar is at least as important for national defense as strong armaments.

There remains the possibility of meeting educational needs by increasing state and local taxation, and here Mr. Freeman is much more optimistic. He shows that, during the decade ahead, increases in property taxes could raise another \$2.5 billion for school needs; that as much again could be derived by higher sales taxes; that still another billion dollars would be available if state income taxes are made universal and reformed somewhat. Together these funds would amply meet all reasonable school demands, even if over-all economic growth is sluggish.

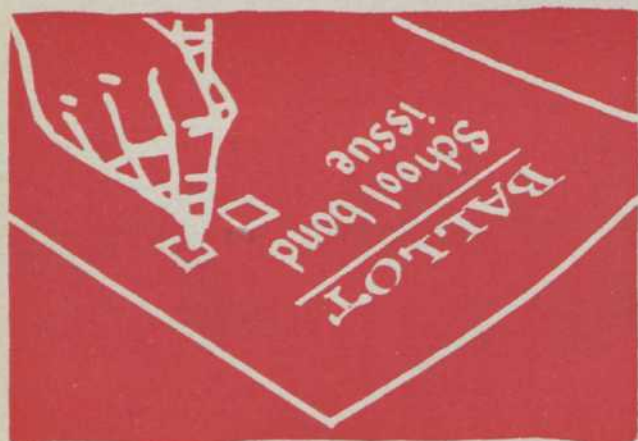
This channel of solution, however, does not appeal to the educationists, because it would maintain a popular check on their direction of educational procedures. There is no doubt that the localities can, if so minded, raise all the money necessary for even inflated public school demands. But there is plenty of doubt that there will be self-imposed taxation adequate for this purpose as long as reasonable suspicion of the value of public education remains as strong and widespread as it is today.

The educational administrators, with honorable exceptions and as distinct from the overburdened teachers, would like to have it both ways. They would like to obtain ample funds for their grandiose programs from Washington, and simultaneously escape any control by those who have good reason to question the educational value of these programs. Socialistic subsidies for local schools is itself an un-American procedure.

But even more alien to the American tradition is the psychology of those who would dodge all democratic supervision of their educational policies, for fear those policies might be voted down.

In spite of extraordinary propaganda in its behalf, the concept of federal aid to education is making little headway. Even the general trend toward loose financing does not help it, since many rival claimants—such as the "medically indigent"—are now reaching for the same share of the budget pie that the educationists want. Meantime it becomes steadily more clear that in the localities, whence all the money must come anyway, there are ample resources for the public schools, provided only that they prove their value to the voters.

Small wonder that the marked unwillingness of the educationists to face this democratic test is beginning to arouse suspicion. The real matter at issue is not the financing of the public schools, but whether the public is to continue to control them.



Most localities—where the money must come from anyway—have ample resources for schools

of growing educational needs? And what authority—national, state or local—should sponsor the increased impositions?

Except for inheritance and gift taxes, no property tax as such is levied by the national government. Constitutional limitation (Article I, Section 9) keeps this form of taxation largely in the hands of local authorities. The general sales tax, as distinct from excise, is also coming to be regarded as a prerogative of state and local government, not less so because it is political dynamite in the eyes of Congress. There remains, as a potential source of increased revenue for Washington, only the income tax, both individual



When the tax bite makes raises and bonuses meaningless ...how can you attract and hold key executives?

Money still is the richest reward for any right-thinking executive. But today it's a new kind of money. It's the money he does *not* take home on payday. The money that he does *not* add to his current taxable income. The money he does *not* collect until after he's retired. It's the money he gets from Deferred Compensation, and Deferred Compensation is one of Equitable's specialties. For complete information on how you can provide Deferred Compensation for selected employees in your company at a surprisingly low cost, mail in the coupon at right. No obligation, of course.

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EVERYWHERE



It's the key to productivity!



BUXTON EARNS 37% ANNUAL RETURN ON CARRIER AIR CONDITIONING INVESTMENT

Less absenteeism. Less labor turnover. Less spoilage. Higher morale.

If Carrier factory air conditioning provided only one or two of these benefits, it would be a good investment. But here is the story of a manufacturer that is getting all of them—plus an increase in worker productivity that is returning 37% on the investment!

The company is Buxton, Inc., leading maker of billfolds, key cases and other leather products, which installed Carrier air conditioning in its new 100,000 square foot plant in Agawam, Massachusetts back in 1957.

"Before air conditioning," says management, "we had to close down a number of afternoons each summer, losing thousands of man-hours during our busiest production season. Lost

time was made up with expensive overtime and temporary, inefficient help. Even when we didn't close, production would drop 11 to 12% on really hot days."

After air conditioning? "Worker productivity has gone up 8.5% during four summer months," reports Buxton. "Our best judgment is that this represents an annual return of 37% on the investment—which does not include substantial gains from less absenteeism, turnover and spoilage."

Many other manufacturers report that Carrier year-round air conditioning is paying similar dividends which, significantly, do not vary greatly as the result of geographical location or the type of products manufactured. The number one factor in determining the

profitability of air conditioning, in almost all cases, is the density of workers in a plant or plant area.

Where the number of square feet per worker is low, the return on an air conditioning investment will be high. For this reason, the most densely populated departments should be air conditioned first in any program that calls for the installation of complete plant air conditioning over a period of years.

There are other yardsticks, too—all of them described in the new Carrier booklet, "Will factory air conditioning pay off for me?" which we will be glad to send you without obligation.

Write for this booklet today. Carrier Air Conditioning Company, Syracuse, New York. In Canada: Carrier Air Conditioning Ltd., Toronto.

HOW TO LISTEN TO POLITICIANS

YOU WILL BE bombarded from now until Nov. 8 with the persuasive thunder of political oratory. You will need to listen, sift and absorb.

To vote intelligently, you have to know what the candidates have promised, what they stand for and in what direction they would lead the nation.

This won't be easy. In addition to honest fervor, the arts of make-up, dramatic training, speech-making experience and professional writers are usually supporting the candidate. You won't have the benefits of such aids. You'll be on your own.

Although most of the contenders for public office will try to debate the issues and present their views simply, the issues are complex, the speakers legitimately biased; and men gifted in the use of semantics can inject new flavor into stale theories and spread tempting frosting on outworn clichés.

The political listener who wants to be informed rather than confused cannot listen to a political speech as he would listen to a TV western. He must be ready to apply some tests of logic to the speakers' statements, especially when the discussion reaches such subjects as:

- ▶ 1. Money and credit.
- ▶ 2. Economic growth.
- ▶ 3. Unemployment.
- ▶ 4. Public safeguards.
- ▶ 5. Reforms and progress.
- ▶ 6. National needs.

Money and credit

From the moment the federal government prints your money, government actions and policies affect its value and availability. In political oratory this effect tends to be overplayed, underplayed or misunderstood.

No candidate will promise to bring about inflation or higher taxes. Many, however, will offer new gov-

ernment programs or services that will necessarily have one or the other of these effects.

When a program is set up to pay matching funds to a state to help it finance roads, airports or schools, it presents an illusion of free money from Washington.

What many candidates fail to point out is that, to pay for federal aid, Uncle Sam has to reach right back into the communities to dig up the money. The brokerage fees for administering the program on a federal and state level must be added to the cost of the particular service or activity.

The more Uncle Sam drains the local tax barrel, the more difficult it becomes for the city councils and state legislatures to raise money to do what is needed in their own communities.

Federal aid programs tend to be accentuated at the expense of other programs which a specific community may require more than it needs the service provided in a federal-aid program.

For these reasons, a promise of aid to any group of citizens is a promise of costs to somebody, probably including those who receive the aid. Either it will be paid for through taxes or through deficit financing which adds to inflationary tendencies and shrinks the value of your dollars.

Wise voters will, therefore, apply the test of realism to political programs that propose to end individual worries by way of federal intervention.

The test of realism must be applied, also, to promises that money will be made cheaper or dearer.

The Federal Reserve plays an important role in creating new credit or restraining its expansion.

But the Federal Reserve is essentially an independent body. Its members are appointed for 14-year staggered terms to avoid interference by political policy.

More important, the flow of savings via life insurance companies, pension funds and savings and loan associations, for example, is many times the flow of funds credited through the commercial bank-

How to listen to politicians *continued*

ing systems. It is the savings habits of individuals and businesses that determine the supply of money and credit.

A political administration could flood the economy with extra credit through deficit spending or through a kind of collusion between the Treasury and the Federal Reserve to depress interest rates artificially. But creating credit in this way would create more purchasing power which would drive up price levels, causing inflation.

There is also a powerful restraint on government to avoid artificially forcing down interest rates because of the danger of an international run on the dollar. If the U. S. held down interest rates, many people would try to transfer their savings to foreign banks where interest rates are higher. This could cause a wholesale exodus of capital to foreign lands.

Economic growth

A comparatively new term in political argument, "economic growth" has become a campaign storm center. The term is usually measured by how much more goods and services we produced in a given year than were produced in some previous year. Over the long run, this growth has averaged about three per cent a year. But, with economic systems as with everything else, growth is not steady. Some years it is much more than three per cent. Some years it is much lower.

This enables a politician, or anyone else, to demonstrate that growth is rapid or slow simply by picking years that prove his point.

When orators use growth figures, the wise voter will listen carefully to the dates the speaker uses and ask himself why they were chosen.

Equally serious confusion about economic growth has been created in the argument over whether and how the rate should be increased. Many people declare that government should act to increase the rate to a particular percentage. Some would do this by increased government spending for schools, slum clearance or welfare projects. Others will argue that these expenditures spur consumption while growth comes from increased investment. The increased taxes that would be needed to pay for more government consumption would dry up the funds that could have gone into new machinery, new plants, innovations, and have resulted in true productive growth.

Unemployment

The nation's unemployment problem is being forced frequently into an awkward position as a political issue. Since nobody is in favor of unemployment, the issue is how to provide jobs for everybody who is willing and able to work.

In listening to the plans offered to accomplish this the voter will want to remember certain facts:

We will never eliminate unemployment entirely. Some persons will always be ill, changing jobs, trying to find work that completely satisfies them or just

entering the labor force and not yet employed because they're short on experience or skill.

Unemployment is at least partly a matter of definition. Some of those counted as unemployed in this country would not be called unemployed if we used the British definition of unemployment, for instance.

Of our total labor force today, five per cent are unemployed by our federal statistical definition but only three per cent of the married male workers are without work.

Over the past 50 years, in prosperous years unemployment has averaged four per cent of the labor force.

Most of the unemployment today is among very young people or the unskilled and is concentrated in pockets of the country where there is some technological change or poor business climate. Training for those willing to learn new skills or state industrial development bodies active in setting up new local industries would help the unskilled and displaced.

Today some 69 million workers do have jobs. But among these are some who, because of company or industry conditions, are actually working only two or three days a week. A married man working a shorter week may be in more serious straits than a college boy who, though listed as unemployed, is living at home.

Any government action that makes it harder for that married man to get back on full time may do more harm than good.

Public safeguards

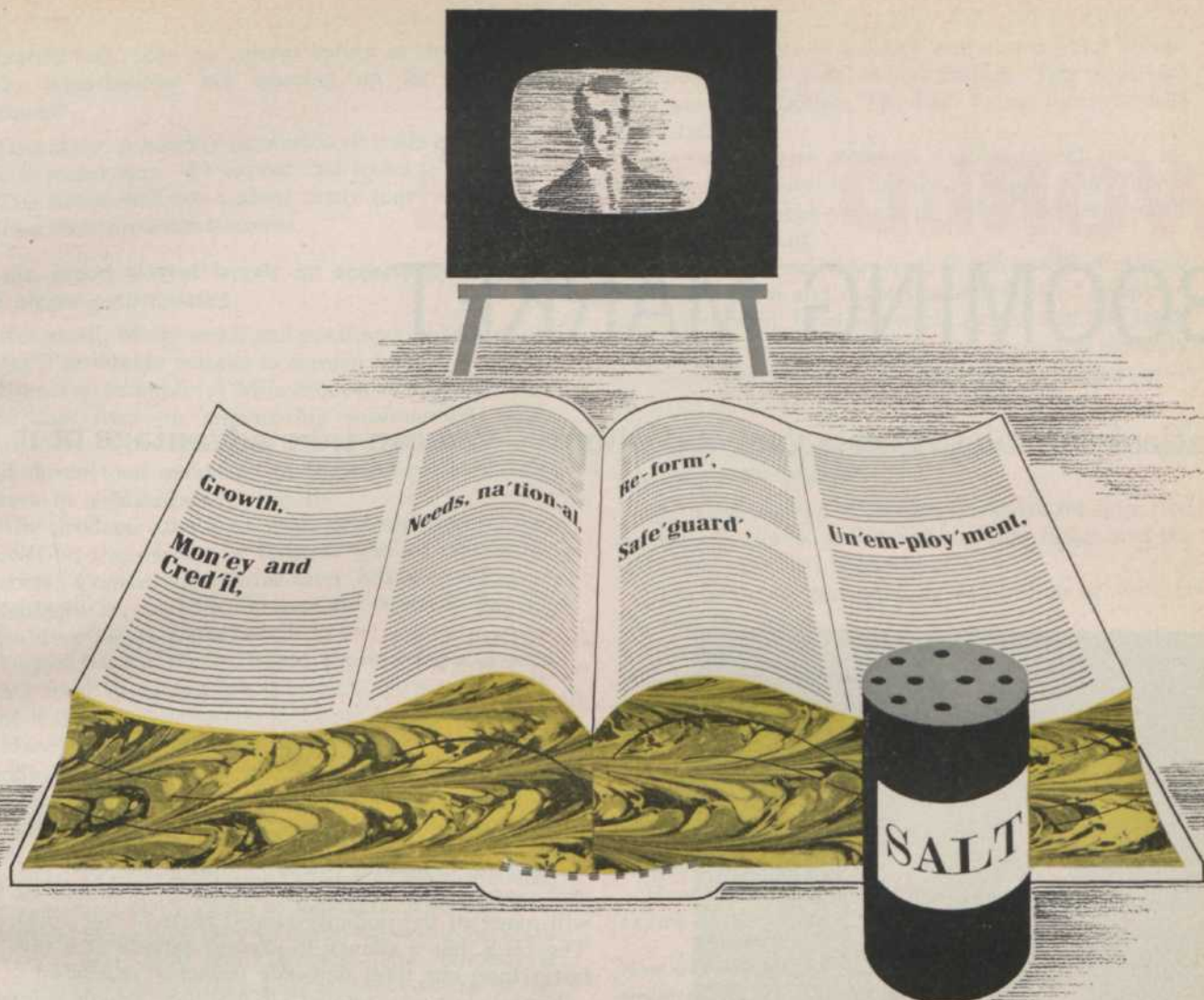
Today's candidates are aware of the complexities and tensions of modern living. At least they have been told like everyone else that modern living is complex and tense. So in their longing to provide what the voter might want, the politicians promise to set up new safeguards in addition, of course, to national defense through that enlarging public protector: federal government.

The public is already protected from impure foods or drugs, from monopoly, from counterfeiters, from fraudulent advertising, from unsafe airliners, from untrue labeling, from poverty in old age, and in disability, from faulty construction of our highways and all sorts of other possible dangers.

We already are so well protected that candidates have to make a real search for possible new safeguards. This search has led to political concern about whether people need safeguards against high prices, against big business and against private exploitation of resources or new techniques.

Rarely is there equal concentration on safeguarding our individual freedoms.

The executive and legislative branches probably could do an efficient job in the more limited areas intended for them by our founding fathers. Instead, this growth of federal government activities has scattered the energies and duties of our elected representatives in Washington over an increasingly wide



Make sure politicians' definitions are the same as yours

range. The result is that, as our representatives have to spread themselves more thinly, bureaucracy runs more and more of the show, does the thinking, does the planning, spends the money. Congress, meaning the people, loses control while scrambling to keep up with itself.

Reforms and progress

Such words as "reform," "progress," "boldness" are heard often in political speeches and the candidates are always for them. Mostly these words involve change. Before giving wholehearted endorsement, the listener needs to know whether the change is actually a reform; whether it does represent progress and, if so, toward what; and whether the new plan is really bold or merely foolhardy.

"Reform" will be heard frequently in connection with taxes. Tax reform is a popular objective. To the listener it may mean elimination of the basic weaknesses of our tax system—a revision of the rate structure to permit capital formation and a stronger competitive enterprise system. To the speaker it may mean the closing of what he considers "loopholes"

in the tax system, elimination of such provisions as:

The dividend credit provision which permits some tax relief for shareholders;

Deductions as "ordinary and necessary" expenses that business incurs for entertainment, gifts and club dues;

The depletion allowance permitted oil and gas producers;

Capital gains tax rates on income from stock options and certain property transfers or sales.

These provisions that give different treatment or special treatment to particular classes of taxpayers or kinds of income are in reality relief amendments which Congress has gradually tacked onto the law. The aim is to keep high tax rates from being unfairly burdensome for some taxpayers or to provide taxpayers with savings and incentive for such important economic necessities as risk capital for investment in productive facilities.

Whether these provisions are equitable is undoubtedly debatable. Whether they represent tax reform is also debatable. But, with taxes as with other issues, the listener needs to know (*continued on page 105*)

WORLD TRADE: BOOMING MARKET

Outlook for sales reveals vast opportunity—you can take advantage of it

**A Nation's Business interview
with BRADLEY FISK,
Assistant Secretary of Commerce
for International Affairs**

A BIGGER VOLUME of foreign trade is coming.

Booming industrial countries during the next several years will be hungry for American products. So will many of the underdeveloped parts of the world. The U. S. has a chance to expand exports at a rate faster than our total domestic economy expands.

Exports last year totaled \$16.3 billion. Trends point to a probable volume of at least \$18.5 billion this year—with more increase to come.

During the five years ahead the world's total consumption of imports, already more than \$85 billion a year, is expected to grow by \$15 billion or more.

The U. S. can hope to capture \$3 billion to \$5 billion of that expansion.

That's why businessmen are rushing to get into a market that's booming.

- ▶ What are the opportunities?
- ▶ Where are they?
- ▶ How can companies take advantage of the expanding opportunities to sell abroad?

Editors of NATION'S BUSINESS asked these questions of Bradley Fisk, Assistant Secretary of Commerce for International Affairs. Mr. Fisk is a former department store executive from Buffalo, N. Y. He joined the Commerce Department staff five years ago and has served in various foreign trade capacities in Pakistan, India, Ceylon, Japan, Italy, Spain and Colombia, as well as the U. S.

He took office as Assistant Secretary last April. Since then he has traveled both in Europe and Africa. For his answers to the NATION'S BUSINESS questions, he draws also from the experience of teams of trade expansion experts which have recently returned from all parts of the globe.



FRED J. MAROON

Secretary Fisk, does the current upturn in foreign trade mean opportunities are opening up for American business?

Definitely. A healthy expansion of trade opportunities is under way. We expect this trend to continue.

The future will see a great many more companies selling their products overseas.

Is the export market largely an opportunity only for the bigger corporations?

Not at all. Many small and medium-sized firms are doing a profitable volume in foreign trade.

Here's an example: A Minnesota firm manufactures only one item—an engineering seismograph. This equipment is manufactured through the efforts of a half dozen men operating in the basements of four homes in a Minneapolis suburb.

The product, after four years of development, was placed on the market in 1957. It was an immediate success. Construction firms and heavy machinery manufacturers use the device, and some of the devices were taken overseas.

Orders for the device began pouring in. It is now being used in 24 foreign countries. This year's volume is expected to double last year's.

Here's another example: A New Orleans company handles sterilized wiping cloths, waste paper and other similar products. The company was started about 20 years ago and did business only in this country.

A little more than a year ago, however, a representative of the firm stopped by one of the Commerce Department's field offices to look into exporting possibilities. Since then they've begun exporting to South Africa, Chile, Italy and Germany. The company is enthusiastic about future possibilities because of the flow of new inquiries from abroad. This company grosses about \$350,000 a year.

So exporting isn't for large companies alone.

Do you have other examples of small-company operations?

Oh, yes. A Georgia firm produces cosmetics with special appeal to Negroes. A few years ago, this firm's foreign sales were small. Now they're doing about \$30,000 worth of business and building up sales in Africa, the Caribbean and Central America.

This all started when a company representative came to our field office to inquire about trade possibilities, tariff and trade regulations for a number of foreign areas. Later, a company official made trips abroad. They're looking forward to big increases.

Here's another example: A company that manufactures laundry presses appropriated \$15,000 in 1955 to ship some of its presses to Paris for a trade-fair exhibit. A spokesman for the firm says about \$250,000 worth of equipment was sold as a result of that exhibit. The company has continued to penetrate the European market. Last year the sales manager spent 60 days in Venezuela, Mexico, Costa Rica, Peru and Ecuador. As a result, his firm did about \$300,000 worth of business in South America.

What is the outlook for total exports this year?

Nonmilitary exports are running well ahead of

1959. Signs point to a figure well above \$18.5 billion and possibly as high as \$19 billion. The total last year was \$16.3 billion. The 1957 figure, however, was \$19.5 billion.

The current rise stems to a great extent from increased prosperity in Europe, Canada and Japan. Temporarily, large exports of cotton and jet aircraft are also important.

Looking beyond this year, if the world continues to be peaceable and if the major industrial countries avoid recession, I believe world production and trade will continue to grow, though perhaps not as strongly as in the mid-1950's. U. S. exporters should certainly participate in the growth of markets abroad.

How much increase in foreign trade can U. S. businessmen reasonably expect?

The total market in foreign countries for imported goods is in excess of \$85 billion. That figure was the total last year. It's higher now.

This might be expanded by \$15 billion or more in the next five years.

I would say that American businessmen might expect to obtain about a fifth of this. More is possible. Market growth would indicate a rise in our exports of \$3 billion or more in five years if we can maintain a 20 per cent share of the market.

However, to eliminate our balance of payments deficit we need to do better than that.

Our share of the world market in 1959 was about 19 per cent.

How well we do in the future will depend to a large extent on our competitive efforts.

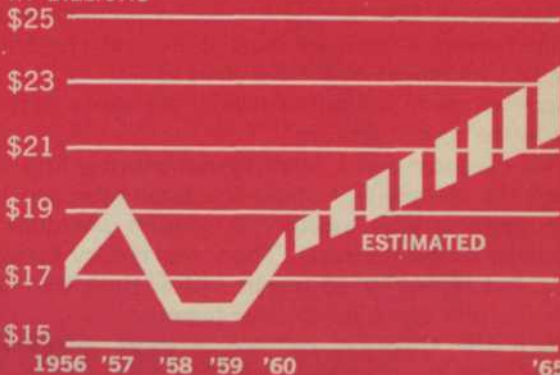
How do you account for the increasing demand in the world market?

Let's look at some specifics.

Production of and demand for goods and services in Western Europe are around two thirds the levels of the U. S. The European demand will continue to rise rapidly. You can anticipate that, by 1970, total demand in Europe will exceed that of the U. S. of 1960. On the whole, Europe (continued on page 100)

Demand for U. S. products abroad is growing. Trends point to possible export expansion of \$3 billion to \$5 billion in next five years

IN BILLIONS



WORDS CAN BLOCK SUCCESS

Don't let these false concepts slow your personal progress

MANY MEN AND GROUPS handicap themselves by building barriers of words around themselves and their routines.

Dr. William V. Haney of Northwestern University's School of Business calls such barriers "bogus entities." He means that they exist only in the minds of those who accept them. A lecturer on communication for many business, government and military management groups, Dr. Haney often is able to help executives recognize and tear down their verbal barriers.

He has defined four types:

- ▶ Barriers built by individuals.
- ▶ Barriers common to small groups.
- ▶ Barriers common to large groups.
- ▶ Barriers that affect everyone.

Barriers built by individuals

Some years ago Dr. Haney met a young executive who seemed unusually bright and alert.

The executive was employed in a big firm but was ambitious to go into business for himself. He had worked out a plan which called for him to get a few more years of experience before he set up his own company.

Recently, Dr. Haney met the man again and found him looking much less vigorous. He had given up all hope of having his own business. Circumstances had forced him to delay launching it two years beyond the time originally planned. Toward the end of those two years he passed his fortieth birthday.

"And that," he sadly admitted, "took all the starch out of me. Now it's all downhill."

This is one of the most common of the bogus entities executives use to fence themselves in. Women more often make the thirtieth birthday the big hurdle, and some men are more concerned about the fiftieth.

The only reason for giving special importance to birthdays at 30, 40, or 50 is that these happen to be nice, round numbers. In reality, physical aging is so gradual that it usually becomes noticeable only over a period of several years. Also, different men age at different rates. One man at 40 may have the vigor and determination of another man at 30 and the know-how and judgment of a third man at 50.

An even more inhibiting barrier for many individuals is the word: "failure."

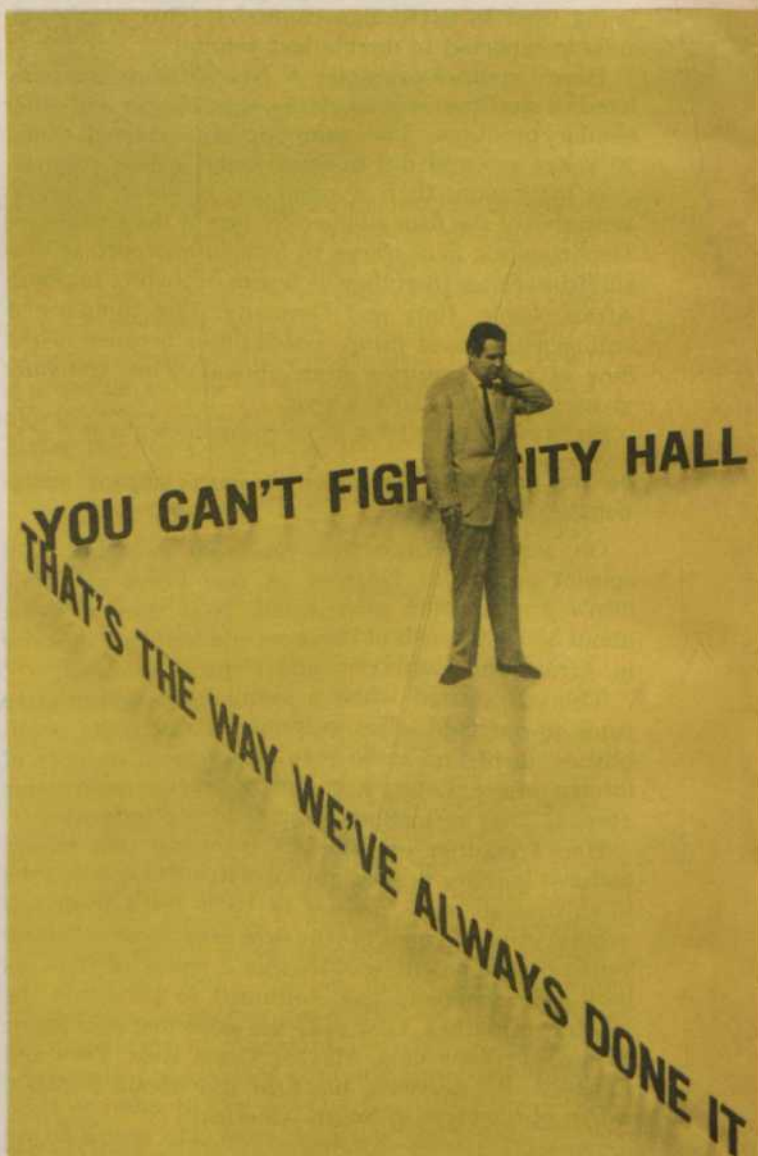
Two executives of a large manufacturing firm had joined the company at about the same time and had risen more or less together to similar positions as assistants to the treasurer. There was rivalry between them, but it was by no means bitter. Both they and their families spent much time together.

Then the treasurer suffered a heart attack and retired. The head of the firm chose one of the two

assistants as his replacement. The choice took several days of hard thinking. When he had made it, the company head explained to the passed-over assistant how difficult it had been.

But from that day on the man seemed permanently stunned. For months the company head and the man who had been given the promotion did everything they could think to try to draw him out of his depression but eventually they had to let him go.

For him, failure to get the appointment was absolute failure. He made it a mental barrier which blotted out all his previous accomplishments. He let it make his whole life one long detour down a blind alley. This case is spectacular and makes the point



vivid. More commonly, men fence themselves in gradually with this particular barrier. This does not make it any less destructive to their hopes of realizing their full potentialities. What gives it destructive power is its underlying assumption that the only alternative to perfect success is utter failure.

Once you face the fact that there is no perfect success or perfect time of life, such barriers as the concept of utter failure and the feeling that "it's all downhill after 40" begin to weaken. Any judgment you pronounce on yourself to the effect that you are not good enough to do something you want to do becomes a barrier which crumbles as soon as you challenge the judgment.

Here are some other barriers that executives often build around themselves:

Perfect health: This first leads a man to abuse his body with improper eating and drinking and insufficient rest, then scares him witless when he suffers the inevitable effects.

Emotional maturity: A currently fashionable term made into a barrier when conceived as an absolute—i. e., a sort of unvarying, fatalistic stolidity.

They'll say . . . : Many a junior executive has made himself a young foggy by making this a barrier against all his own ideas.

I don't have enough education: A barrier for those afflicted with the notion that education necessarily ceases at some point in a person's early twenties.

They owe me: If you want something, you work for it; if you expect something, you wait for it.

Barriers common to small groups

Many small groups function better if the members feel there is something special about themselves. Much professional and trade jargon has little purpose other than to reinforce this feeling.

There is not necessarily any harm in such jargon. Sometimes, however, a department or branch of a large organization builds jargon barriers which hamper the functioning of the whole concern. Those most active in raising such barriers may be unaware of their effect.

In one instance, the barrier-building group consisted of the executives of a company's sales department. The material (continued on page 83)



NEW IDEAS SHAPE FUTURE SCHOOLS

Changes in education seek to meet needs of modern society



STARTLING CHANGES in America's educational system are shaping up for the 1960's and 1970's.

Most of these changes are already under way. As they gain momentum, they will have a wide and deep-reaching impact on our society.

Business will feel the effects perhaps more keenly than any other segment of our national life. The businessman will find that the worker he hires is far different in skills and adaptability from the average graduate he considers as a new worker today. Great numbers of highly skilled scientists and technicians will pour out of the transformed schools of tomorrow to contribute their talents to an immensely more technologically oriented economy.

The schools themselves will change dramatically—in methods, materials and standards. Teaching will be streamlined and the educational process overhauled at a speed far exceeding that possible in some countries where even a change in the title of a course requires prolonged deliberation in some musty ministry of education.

The noisy debate about "what's wrong with our schools" will have little to do with these changes. Nor will they grow out of the threat of Russia, though our awareness of this threat may speed the

change. In every case the changes go back much further than the present debate or the cold war.

One cause is the awareness of teachers that our failure to teach mathematics, science and languages well enough cannot simply be blamed on children or their parents. But the real push for these changes comes entirely from outside education. It comes from the great changes in population that lie ahead.

By the middle 1960's the babies of the postwar "baby boom" will start to get married and have children. As a result, a birth rate of six million babies a year will be commonplace by the end of the 1960's; the highest previous figure was 4,260,000. By the early 1970's this tide will wash over the elementary schools. By 1980 it will begin to flood the colleges. It will cause a sharp jacking up of demands on the schools. Colleges, even though they expand, will be forced to be more selective in their admissions.

In the next 15 years, a larger proportion of the population will be of school age. Today two out of every ten Americans are in school or college. By 1975 the ratio will be at least three out of ten. Many more teachers will be needed. We must also raise the teacher's effectiveness and multiply his impact.

Few of the changes that will make over our school system are in the future. Most are taking place somewhere today. They are accepted now by teachers themselves—at least as inevitable, if not as desirable.

Making junior high effective

"There is nothing wrong with American education that doing away with the junior high school wouldn't fix" has become a popular quip among high school and college teachers. Junior high school people admit there is some truth to the indictment.

"The children come to us from grade school interested, excited, full of questions. They want to work beyond their years, they want to be treated as grown-ups. But we just put them into intellectual swaddling clothes," junior high school teachers lament. "No wonder that they leave, three years later, with the fire quenched and school a bore."

What is needed, everyone agrees, is a junior high



WAYNE MILLER-MAGNUM

Junior high: “The children come to us interested, excited, full of questions. They want to be treated as grownups. But we just put them into intellectual swaddling clothes”

school that is different and effective. The years between 12 and 15, according to psychologists, are the years when basic habits are formed. This is why junior high school today aims primarily at life adjustment. For what more important habit can there be than that of adjusting to society?

What the educators fail to see is that working habits, too, are formed in that period, if at all. Probably no habit has more to do with a person's life adjustment, with his ability to achieve and be effective, than his working habits. Every teacher (and every boss) knows some modestly endowed person who nevertheless does good, even advanced work. He simply knows how to use all he has.

The greatest despair of every teacher (and boss) is the exceedingly bright person who lacks the basic working habits needed for effectiveness. And he should have acquired these habits in junior high.

Similarly, we know today that the early teens are also the time when the typical child acquires the

ability to think in concepts and abstractions. In other words, intellectual maturity, as a rule, comes earlier than physical, let alone emotional, maturity. Yet intellectual demands on the child are taboo in junior high schools now.

The vacuum that is the junior high school today is, paradoxically, the result of educational progress. When high school attendance became general during the past 40 years, most of the work previously done at junior high school moved to the upper grades.

Now the crowding of colleges is rapidly raising the demands on high schools.

Twenty years ago only a handful of prestige colleges demanded that their applicants take an entrance examination. Today more than half of all colleges do. In another five or six years, every four-year college or university will demand it as a matter of course. This may not have much effect on a few top-flight high schools. But it will raise the average considerably—and probably (*continued on page 44*)

HERE'S WAY TO REAL GROWTH

A noted economist cuts through the foggy
notions surrounding this national issue

ECONOMIC GROWTH has become a major goal of the United States.

Demands made upon our economy at home and abroad have shown the importance of increasing our productive capacity. The apparently rapid rate of advance of the Soviet bloc economies adds a note of urgency. The new visibility of growth, thanks to better statistics to measure it, has endowed the discussion of growth with drama and appeal.

This atmosphere has brought into flower a range of proposals to accelerate economic growth. Some are desirable because they would employ methods that are in keeping with the principles of a free market economy. Others call for easy money and deficits, even at times of high activity. Some aim at important needs and uses. Some seem to come down to little more than a numbers game to keep up with the Russians or to impress uncommitted countries. Some proposals seem heavily burdened with self-interest.

Few informed people today would deny growth a high priority. Growth is important. The ways of attaining faster growth demand the best thought of all of us. That needs to be said first of all.

But one arrives at this belief not without some hesitation. We are already much the richest country in the world. If there is anything that ails us, surely it is not a lack of material goods. As we become still richer, year after year, the importance to us of further

additions to income should diminish, not increase. Undoubtedly there are jobs to be done, goals to be reached, evils to be mended. We have the resources to do them.

But could we not treat them as particular jobs, assign the necessary resources, and get them done? Must we accelerate everything across the board in order to meet these selected needs? Isn't the sensible way to reallocate some of our existing resources, cut some less urgent expenditures, expand the more urgent?

We have done this from time to time in the past—when the pressures became sufficiently strong. The nation has never hesitated, in wartime, to limit its consumption in order to provide the resources for victory. In peacetime, too, we have accepted tax burdens far beyond the worst fears of most of us.

But in a free society there are limits to this process. These limits shift slowly if at all in the absence of emergency. The balance of forces that determines the division of resources between private and public use, and between different uses in each of the two sectors, proceeds from many powerful pressures. It is not readily dislodged by a small number of articulate advocates. These advocates do not all pull in the same direction—some want more of this, some of that—they neutralize each other. A large part of the taxpaying population believes that the proper direction for taxes to move (if not the most frequent) is down, not up.

From such conflicting forces, a balance emerges capable of considerable stability. It is this balance created by the many that impedes the ready provisioning of needs thought urgent by the few.

Major reallocations of resources could be accommodated by the economy if the citizens want to make them, although perhaps with some clashing of gears. But I think it is clear that massive shifts of resources

The author, HENRY C. WALLICH, is a member of the President's Council of Economic Advisers and is on leave as Professor of Economics at Yale University. The article is adapted from a chapter in Dr. Wallich's new book, "The Cost of Freedom," to be published this month by Harper & Brothers, New York, N. Y. (Copyright 1960 by Henry C. Wallich).

are not easily decided upon. With the two political parties on the whole very close to each other ideologically, with consumption habits firmly embedded and aggressively promoted, dramatic events would be needed to make us revise at all drastically our gentle habits of money spending.

If this diagnosis holds, the consequence is painfully clear—a substantial advance in any one form of expenditure presupposes some advance in all. We shall have to expand all round, allowing everything to stay more or less in proportion. More public expenditures presuppose more private. If more is to be spent on education or old-age care, we must also accept—many of us with little enthusiasm—more tailfins and TV's.

To suppose otherwise seems to conflict with a well established balance of wants—or with the freedom of the taxpayer and consumer to maintain that balance. So long as that freedom is not to be overridden, our society probably will use it for ends that seem lacking in a sense of urgency and national purpose. Freedom has its cost.

One other concern about growth stands out. A free economy, depending as it does upon strong incentives, must accept economic inequality. To those who have succeeded in getting on the right side of inequality,

many good reasons will occur that justify this condition. To the considerable majority who have not, the only argument likely to carry appeal is that the resulting more rapid growth will benefit them more than would redistribution coupled with slower growth. Inequality of shares implies a commitment to accomplish betterment through growth.

This commitment has generally been well met. This is one of the principal reasons why our society has not been plagued greatly by demands for redistribution of income or wealth and other manifestations of class struggle. Such tendencies will remain more soundly dormant the better the commitment can be met hereafter. By the same token the pressures for higher wages, which we have strongly felt, can be absorbed more easily without inflation. Economic growth is the key to many perplexities that would become oppressive without it.

This much said on behalf of the need for rapid growth, some cautions are now in order. For some of the growth enthusiasts, economic growth has become something like an escape from economics itself. Economics traditionally has been billed as dealing with the allocation of limited resources to alternative ends. Those who put their growth models through their paces before our astonished eyes seem to demonstrate that we can have more of everything at the same time—if only we grow faster.

It is an illusion, of course, to think that we can ever meet all our needs, growth or no growth. The trick is performed by establishing supposed "needs" at a level a little beyond our reach, and demonstrating that one or two per cent added growth would bring them within reach. We have no basis for supposing that, at a higher level of available resources, competition among alternative uses would be much less severe. It would still be as painfully true as it is now that a little more of this means a little less of that. The resources available to us today surely would have seemed immense 20 years ago. They appear barely adequate now. The resources that growth may yield 20 years from now may seem to exceed our present concept of needs. I doubt that we shall find it so when the time comes. Growth is not likely to repeal economics.

The role that growth can play in solving our international problems likewise falls well short of a panacea. It is by no means self-evident that differences in gross national product (the sum of goods and services produced) determine relative military posture. Willingness and ability to concentrate resources for a particular purpose are at least as important. Neither is it evident that the percentage gains scored by our economy will determine the decision of the uncommitted countries to adopt one or the other of the rival systems. As economic examples, the performance of European economies is likely to speak more eloquently. There is

(continued on page 80)

3%

has been long-term growth rate.
Can politicians boost it to ...

5%?

HOW'S BUSINESS?

today's outlook

AGRICULTURE

Fewer hogs and more cattle will go to market in 1960, resulting in about the same total volume as last year.

The U. S. Department of Agriculture estimates the pig crop to be 11 per cent smaller than last year, or about three per cent larger than the smallest crop in the last cycle. Hog prices are running well above last year and are expected to continue favorable in relation to the price of corn this fall. As a result, an early upturn in pig production is possible.

Cattle herds are building up for the second year at an average annual rate of four million to five million head. Slaughter increased 11 per cent during the first half of 1960, according to the Agriculture Department, and may remain above last year throughout the fall. Continued strong demand for beef and smaller pork supplies, however, will help keep fed cattle prices fairly stable most of this year. But prices can be expected to drift lower over the next couple of years as more of the expanding herd goes to market.

Total red meat supplies per person in 1960 will probably be about a pound less than last year due to smaller imports and more consumers, coupled with little change in total domestic marketings.

COMMUNICATION

In view of the huge continuing deficit in postal operations, which

has added \$7.4 billion to the national debt in 14 years, the issue is expected to be a lively one in the next Congress.

Although the House Post Office and Civil Service Committee voted overwhelmingly for this year's pay increase for postal workers, it has consistently refused to act on Administration proposals for postal rate increases to cover the added cost and similar pay boosts it voted in 1958.

This killed any chance for a balanced budget in the postal service this fiscal year, since this committee must initiate postal revenue measures.

With the pay increase, it is estimated that the deficit for this fiscal year will be \$800 million. The Postmaster General had proposed increases in rates on all classes of mail. The House committee held comprehensive hearings but then refused to act.

CONSTRUCTION

Local, not federal, initiative and action is needed to solve the problems of blight and decay that beset many communities.

This is so because of three major factors.

First, the understanding and support of local citizens is a prerequisite of successful community development programs.

Second, state laws and local ordinances govern the essential processes of eminent domain (necessary for prompt acquisition of land),

and the essential controls over zoning and building.

Third, market forces—not federal controls—will determine the success of a project, and therefore the likelihood of successful and continuing renewal operations.

The fundamentals of successful local programs are contained in the "Community Development Series" of the Chamber of Commerce of the United States.

CREDIT & FINANCE

Even before the short session began, it was obvious Congress was through for the year with banking legislation. It was also obvious that the President would get no new taxes to pay for new spending programs.

The \$4.2 billion surplus for fiscal 1961 predicted in January has been whittled down already by congressional action and inaction. This situation is likely to get worse rather than better.

Demand for long-term capital funds continues high and prospects are for even heavier borrowing later this year.

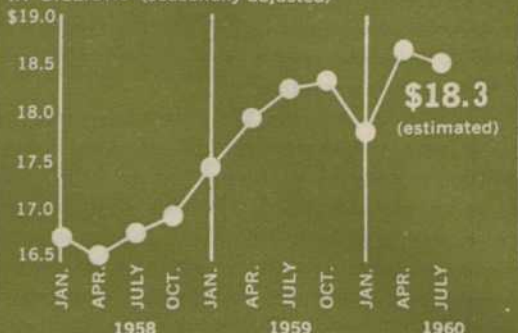
DISTRIBUTION

Total retail dollar sales for the first six months of 1960 hovered 3.1 per cent over the January-June sales record of a year ago. With a much slower rise in prices during the 1960 period, this represents unit sales gains as well.

Yet, competition and operating

RETAIL SALES

IN BILLIONS (seasonally adjusted)



Source: Department of Commerce

Chamber of Commerce of the United States

costs are forcing down retail profit ratios.

Competition has triggered more promotional activity by retailers.

Competition also is serving to deter price increases. Hence, retail prices, with few exceptions, are expected to remain fairly stable this fall. One exception: Price tags on men's wear will be marked up as much as 10 per cent, according to a trade source.

Retail food prices, on the other hand, will fall a little in the next few months in response to seasonal increases in supplies of major foods, says the Agriculture Department.

While some industries see a further downturn ahead, retailing, on the whole, will overcome stiffening conditions for further slight volume gains in this year's second half.

FOREIGN TRADE

Small U. S. manufacturers interested in entering the export field should not overlook advantages of the Export Trade Act of 1918.

This Act, commonly known as the Webb-Pomerene Act, permits American exporters to form export associations to meet competition in foreign markets. It also clarifies the application of antitrust laws to organizations engaged in export trade.

To be eligible, the associations must be engaged solely in export trade and must not be in restraint of trade within the United States nor restrain the export trade of any domestic competitor.

According to latest official reports, 35 export trade associations, composed of more than 400 U. S. firms, are currently responsible for approximately \$1 billion in U. S. merchandise exports annually. Such associations have several advantages—including use of joint advertising and promotion abroad of members' brands and patented goods.

Moreover, the good will created by maintaining a foreign sales force can aid the members in expanding sales abroad even in the face of foreign competition.

GOVERNMENT SPENDING

Budget planners are busy fitting government program objectives into the Administration's over-all budgetary objectives. The result will be

President Eisenhower's final budget—the one for fiscal year 1962—which he will present to the new Congress in January.

It is expected that the 1962 budget will be based on "holding the line" on spending; and that the President will offer Congress a balanced budget, as he did for fiscal years 1960 and 1961.

However, the platforms of both parties include planks that carry significant spending implications. If past experience holds, the new President, whoever he is, will make numerous revisions in the 1962 budget to reflect his position on federal programs.

This situation occurred most recently in 1952 when President Eisenhower assumed office. He made several changes in the budget prepared under the Truman Administration with the result that, in effect, Congress had two budgets before it. No matter which candidate wins the Presidency, Congress will receive a second budget.

LABOR

Neither party platform says anything about union monopolistic power and the use of dues money to support political philosophies of the union leaders' choice. Perhaps the campaign will focus some attention on the omissions.

Comparison of the labor planks reveals:

On compulsory unionism, the Democrats would repeal authorization for state right-to-work laws. The Republicans would permit employers and unions to enter into union-shop arrangements, but also continue states' rights to outlaw such arrangements.

The Democrats would repeal limitations on the right to strike, to picket, and to tell the public the facts of a labor dispute. They would also repeal "other anti-labor features" of the Taft-Hartley and Landrum-Griffin Labor Reform Acts. The Republicans pledge diligent administration of these laws and improvements as experience indicates.

On big national strikes, the Democrats call for periodic White House conferences, fewer injunctions against unions, and "more sympathetic understanding." The Republicans call for a minimum of government interference and reli-

ance on existing mediation and conciliation services.

NATURAL RESOURCES

Establishment of a lumber futures market, now being discussed, might help toward price stabilization, orderly production and marketing in this industry.

Traditional, complex, competitive marketing procedures have made lumber manufacturing hazardous.

Lumber manufacturers have felt a pinch in sales and prices since last fall. In March, the southern pine picture improved with weekly orders, shipments and actual production rising somewhat above the three-year averages. In early July, all three indicators took a sharp drop but have since recovered.

The western situation has been unstable, apparently reacting more sharply to slowness in housing activity. Sales have been slow, inventory build-up has continued, prices have steadily weakened.

However, early improvement is expected, resulting from anticipated easing of the mortgage money market and stepped-up housing construction.

TAXATION

Platforms of both parties have planks pointing to tax reform. Their approaches are somewhat different.

The Republicans would like to see basic tax reform, but place that goal fourth behind the needs of national security, "various legitimate and urgent needs of the nation that cannot be met by the states, local governments or private action," and reduction of the national debt.

The Democrats anticipate closing numerous loopholes through which they claim certain groups are enabled to escape their fair tax burden. The Democrats believe that if enough revenue could be salvaged in this way the tax burden might be eased for those not presently in one of the privileged groups.

What effect all this will have on major tax revision remains to be seen. Hearings on proposed revisions were held in 1959 by the House Ways and Means Committee.

If major tax reform is to become a reality it is apparent that high-level cooperation and compromise will be required of both parties.

FUTURE SCHOOLS

continued from page 39

put real pressure on the lowest-ranking high school group. The pressure is already noticeable.

High schools, in turn, will increasingly demand of the junior high school better preparation of students, better foundations in basic skills such as reading, writing and figuring and, above all, better working habits.

All this does not mean working harder. It means doing a more effective job. It means a different rather than a tougher junior high school.

Perhaps the best way to show this difference is to look at what is happening to our approach to language teaching. Of all the new things being tried out now, language teaching may have the earliest impact on junior highs.

Languages: Live or dead?

There is nothing children learn more easily than languages. Prac-

the time they are 11 or 12, cannot speak it. Nor, to lay a popular ghost, are the Russians any better. Every visitor to Russia reports that—apart from his interpreter, a specially trained linguist—few people can speak a foreign tongue, be it English, German, or French.

There is nothing new in this. Until recently it was taken for granted that this was the way it had to be. Children, the popular belief ran, quickly lose the faculty of learning languages. Learning one's own tongue and learning another language were held to be entirely different, especially in purpose.

You learn your own language to live it. You learn a foreign language to be able to read it. Therefore, you learn your own language as a spoken, live language. But foreign languages you "study"; that is, you treat them as dead languages.

World War II destroyed the first of these beliefs. The Army put thousands of men into language schools where they simply had to learn a foreign language the way a small child learns it—by living it and

the movies can handle the language as a native language. They have already proven themselves much better language teachers than books. There is no longer any reason why the seventh graders in Amarillo could not be taken by TV into a school room in France or Mexico and at little cost, incidentally, once we have communications satellites that can relay messages over great distances. Within a short time it will be neither difficult nor expensive to have two classes, one in this country and one somewhere in Europe, combine under one teacher.

Technically it is even feasible today—though still too expensive—to bring the individual student right into a foreign home and force him to talk with people there in their language. We can make movies in which the actors, portraying, let us say, a father, a mother and two children, talk with the visitor, asking questions, making conversation. The movies can stop if the child does not know what he is expected to say or to answer at a given point. This is no different to most children from learning a part in a play and just as much fun.

It teaches a child more than weeks with a printed grammar.

In this country we are unlikely to go as far as some schools in Europe, (German schools in the Rhineland, for instance). There a foreign language, English or French, is studied for a year as a language—usually around the sixth or seventh grade. From there on a subject-area, history, for instance, or the sciences, is taught right through high school in that language, and in that language only. It is, in other words, treated as a live language.

This requires a lot of teachers of foreign nationality and background and a constant teacher exchange between countries and school systems. We are likely, within 20 years, to have moved from the present studying of a language, beginning in high school, to learning a language beginning in the first year of junior high school—the spoken language, with life, work and play in it.

In about 80 or 90 junior high schools, as far apart as New Jersey and California, this is today already an accomplished fact. It now only awaits the development of cheap learning tools to become general practice.

Teaching science

Next to the foreign languages, sciences and mathematics are the
(continued on page 48)



Skill in speaking foreign languages replaces mere reading ability as modern teaching goal

tically every child has learned one by the time he is two. Children who grow up where several languages are spoken (for instance, children in Antwerp, Belgium, where both French and Flemish are spoken) seem to learn several languages just as easily.

And yet there is nothing that is taught as badly as languages.

That Americans have a peculiar "inability to learn languages," is a myth. Where people are not daily in close contact with people speaking another tongue, they don't learn languages. The English "inability to learn languages," is as proverbial as ours. The Japanese, too, even though they all study English from

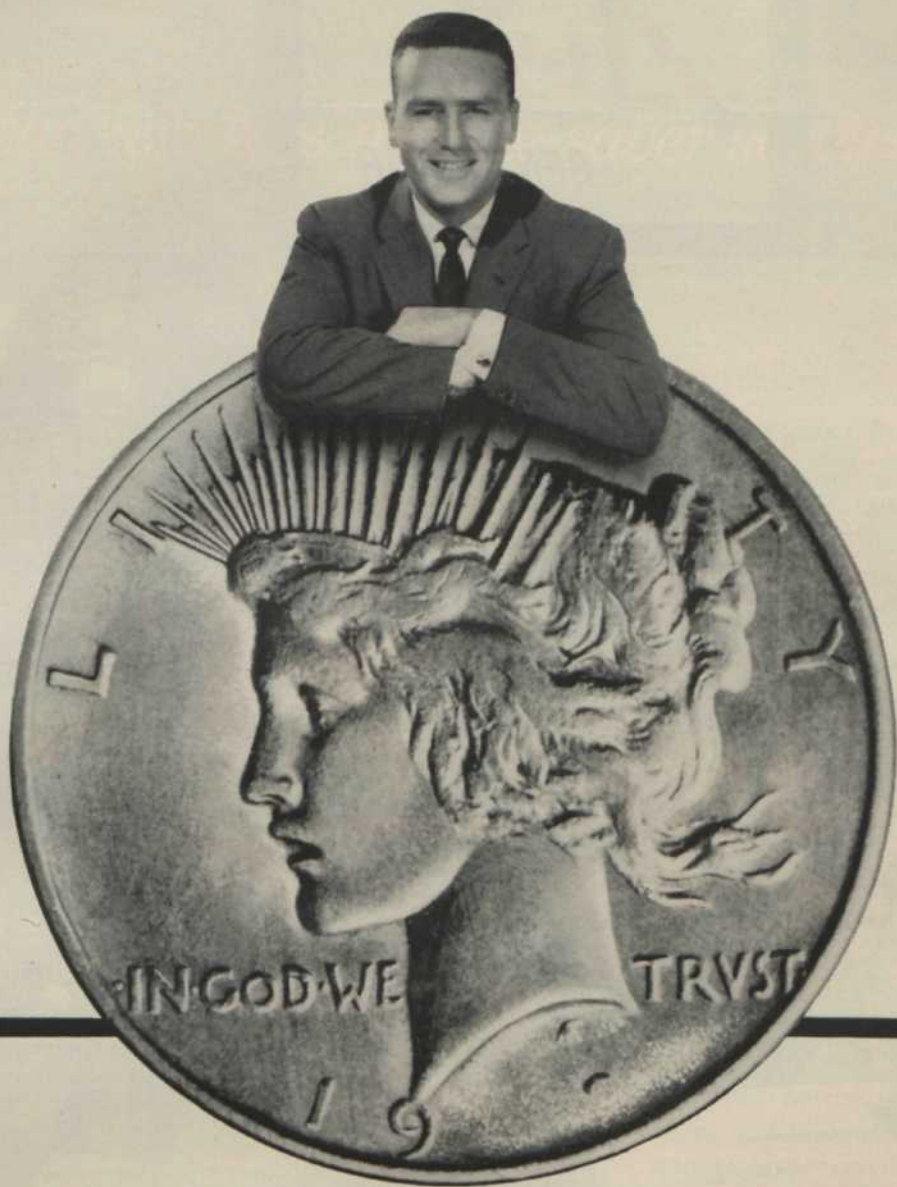
speaking it. They did not learn as fast as small children do. But they did not learn much more slowly, even difficult foreign tongues.

Today we no longer look upon languages as something to read, or at best to write. Now we travel. We increasingly meet people of different tongues in their own country. In the past language study was intended to give a reading ability in a foreign language. Today it is increasingly after speaking knowledge.

It is here that new tools and new techniques are likely to make a difference. A teacher can do little to get children to study language.

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FUTURE SCHOOLS

continued

least effective subjects in American schools. And here, too, America is not too different from other countries—which may give more years to teaching science but have no better results to show. Indeed, most of the present concern over our educational system is concern with our illiteracy in science and mathematics.

Our failure to do a good job in teaching these subjects is usually blamed on the schools being too soft or treating them as optional. Fifteen years ago, science teachers themselves began to say: "Something must be wrong with what we are doing." As a result, we are now rapidly developing new approaches.

Typical is the recent announcement of a new high school program in biology to be launched this fall in 28 school systems.

"The kind of biological science taught in many of our schools and colleges today," says Dr. Paul Hurd of Stanford University, who helped to work out the new program, "consists of massive doses of facts without conceptual order, without unity, without the knowledge of their development and without feeling for the intellectual method that pulls these facts from nature."

Instead of the parade of animal and plant life with endless names, which biology teaching stresses today, the new program will emphasize genetics, evolution and basic concepts of biology.

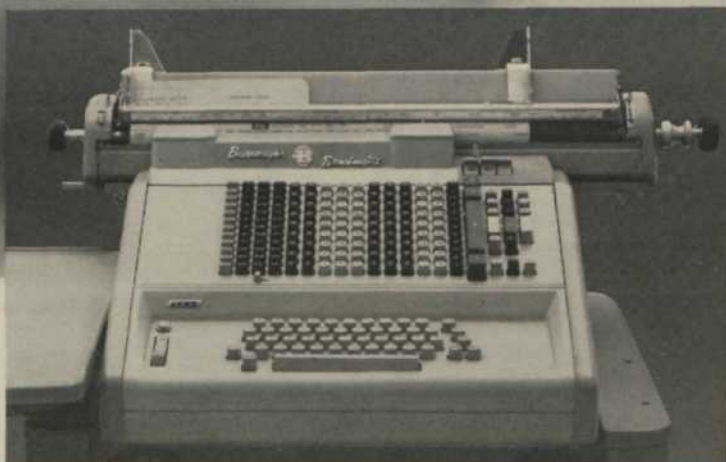
What is true for biology is true for practically all our science teaching and even more true for mathematics. We teach the science of yesterday.

All the mathematics our high school and college students get antedates the year 1700. Yet the great developments of modern mathematics had not even begun then.

The first radical change in this is now nine years old—the mathematics program for the high school and junior high school students developed by Prof. Max Beberman at the University of Illinois in 1951. It is now used in several hundred school systems with tremendous enthusiasm on the part of the children, of the teachers and of the parents. Yet Professor Beberman is doing what every mathematics teacher, until a few years ago, would have considered madness. He is beginning in eighth and ninth grade with the basic ideas of modern mathematics: function and limit,



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FUTURE SCHOOLS

continued

set and series, and the concept and theory of number itself.

Children have no difficulty with these advanced ideas. They are much simpler ideas than those still taught in high school.

Professor Beberman's is only one of many new approaches to the teaching of mathematics but perhaps the most radical one. There are a half dozen other approaches. All of them try to start with mathematical concepts rather than mathematical manipulation. They start in junior high school or, at the latest, in the first year of high school.

Everyone who has tried these new approaches reports the same results: tremendous excitement and enthusiasm, real learning, and a disappearance of the old block that so many people had against math, physics or any science.

Indeed, only one thing is holding back the rapid spread of the new ideas: the teachers. The children are ready, but teachers are not. The new programs require retraining of

teachers first. They never had the slightest difficulty with the children. It will, therefore, be another generation before these new ways to teach Twentieth Century science and mathematics really have become effective throughout our school system. By then, however, they will certainly have remade high school science and mathematics teaching and, in all probability, have changed the junior high school approach.

Automation in the schools

So far we have spoken mostly of changes the Johnny and Mary of 20 years from now will encounter when they are through with grade school. Perhaps the greatest change in our schools they will probably meet right away, on their first day in kindergarten or first grade: the changes in teaching tools.

We will have many more children to teach. We know that good teaching requires a lot of personal attention. Yet we will have fewer teachers per child, no matter what we do, no matter even how well we pay teachers.

Any businessman knows that this problem can be solved only one

way: by giving the worker better, more effective mechanical tools that multiply his skill and strength. That holds for teaching, too. The next 20 years will be years of increasing automation in the schools.

Teachers generally are conservative. Any mention of teaching tools makes some bristle. But the Industrial Revolution did not begin with the steam engine but with a teaching tool: the printed book. The book, though 500 years old, is automation.

Few teachers today would do without books. In fact, most complain that students do not read enough. Yet when the book first came, it was as bitterly opposed as most teachers today oppose any new teaching tool. One can only learn to read, the teachers of that time said, by copying laboriously from a manuscript.

Most teachers then were also convinced that no more than a minute fraction of the population—something like one per cent or so—had the mental equipment to learn to read and write, and that reading and writing was not a skill one acquired but a profession one plied the rest of one's life. We might remember this when we hear that only a certain percentage of students have the I.Q. to finish high school or to go on to college, or any of the standard arguments against any attempt to educate more than a small elite group.

Today a quiet technological revolution is under way which may be as powerful as the book was 500 years ago. It is not centered in one tool, but in many. There is television which can bring into the school room teachers, experiments, discussions which no individual school system could provide. There are all kinds of machines which enable a student to go at his own speed in learning and to test himself all the time in genuine feed-back.

Perhaps more important than the tools is what we have learned about using them. They do not replace the teacher. On the contrary, without a teacher they are not fully effective.

They do not do everything. But they can carry the load of instruction that conveys factual information and tests its retention.

We cannot actually teach. What a great teacher really does is not to convey knowledge but to get across a personality and a point of view. Likewise, "learning" cannot be accomplished by the use of the tools. That is a matter of motivation and work habits. But the tools can give the student who wants to learn the means to do so, and the teacher

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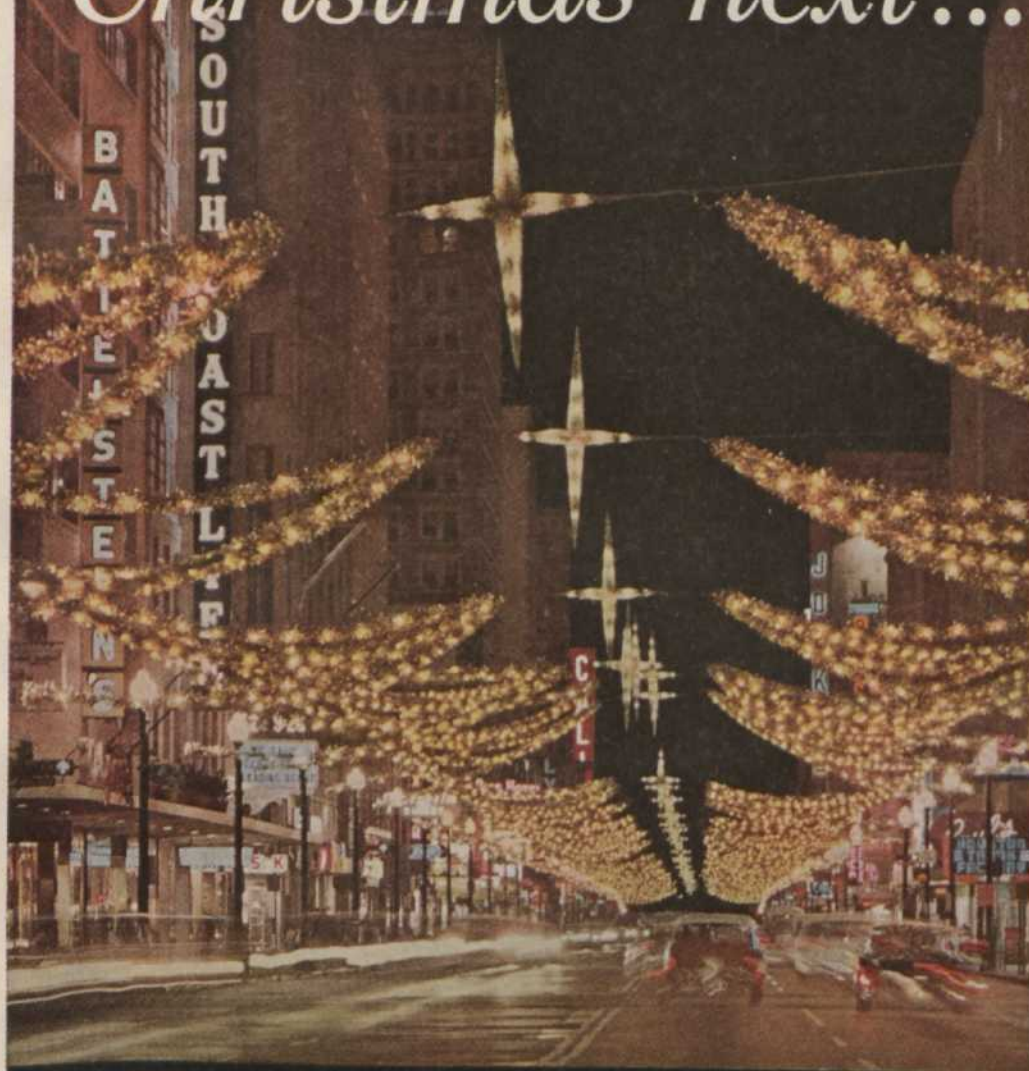
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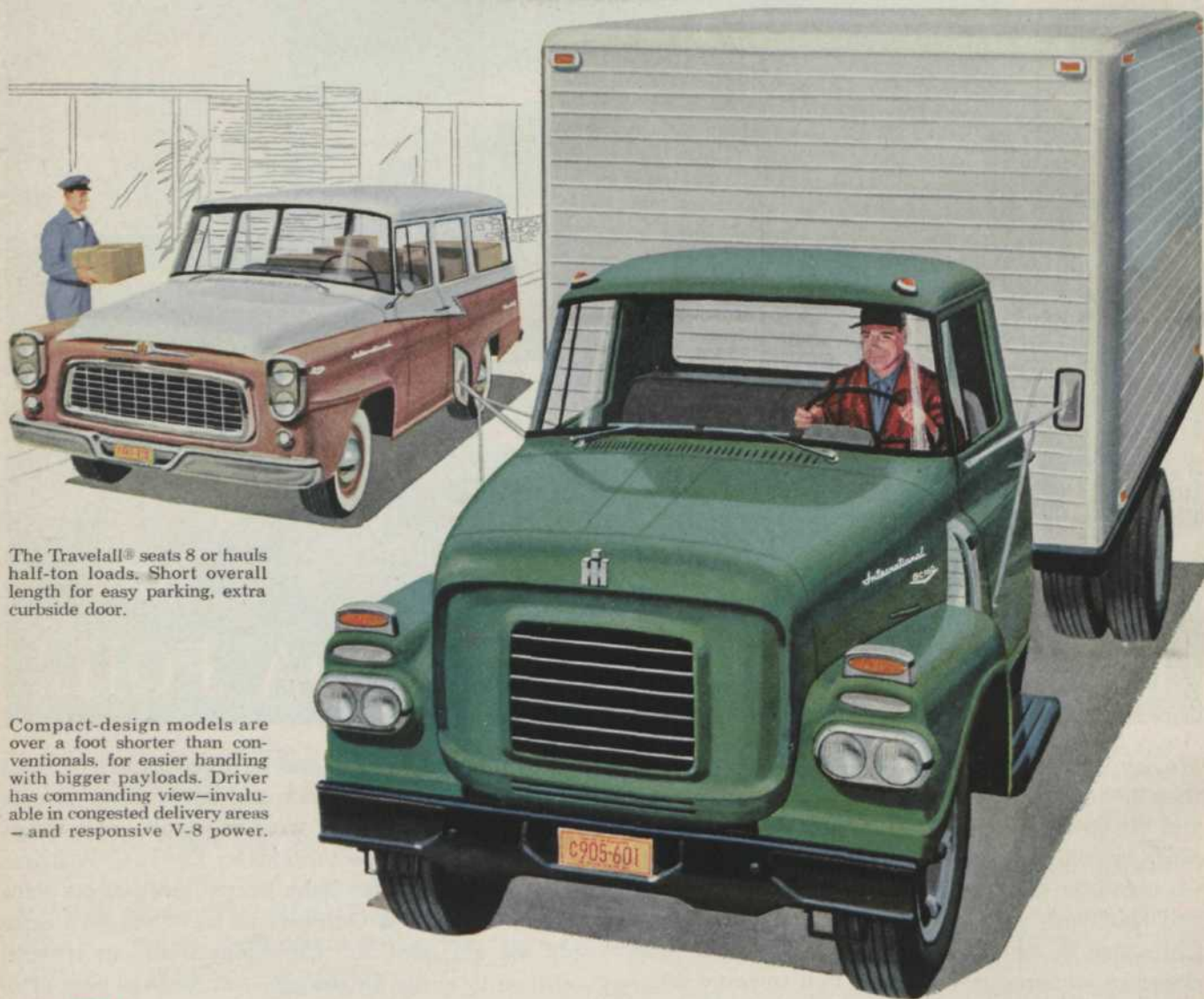
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FUTURE SCHOOLS

continued

who wants to teach the means to do so. They are extensions of human ability, not substitutes for it.

The use of educational tools is essentially already here. Six different school systems in the Midwest, for instance, together with Ohio State University, are now experimenting with such tools. Among themselves these school systems—in Columbus, Ohio, around Cincinnati, and in and around Charleston, W. Va., are going to build 18 new secondary schools in ten years. They expect these schools to be different in architecture, in curriculum and above all in their basic equipment. Yet they expect them to be much more economical than any school built so far.

In another 20 years we will have finished experimenting. Then we are likely to wind up with different-looking classrooms, and with new tools of instruction.

What is going on in our school system is not a fundamental change in educational philosophy. We are not throwing out the American system and replacing it with something imported.

The people who work on these changes are concerned with making the American school as effective as it can be. They accept as fact that we are committed to educating our entire population. They do not believe that this means lower standards. On the contrary, they think this should, properly, mean higher standards. They are committed to the unique feature of American education: It aims to produce people who are both educated and prepared to work for their living, who are both individuals and effective citizens.

They know that this is difficult to achieve. It has always been the special problem of education in this country. But they also know (and so many people in today's noisy debate seem not to know) that education and effectiveness depend at least as much on how well one can apply whatever one knows, as on native ability or the level of intelligence.

Above all, people who are now working on the changes that will give our schools a new look are not terribly concerned with the great public question: Should learning be harder or easier? In the basic American tradition they know that the real problem is to make us "learn smarter."—PETER F. DRUCKER



"Glad to get rid of sopping and sticking stamps—"

"We're the exclusive distributor in this area of certain makes of TV and radio parts. The whole office force is me. We don't have much mail—a few invoices and letters a day—but I do appreciate the little postage meter. I was glad to stop sticking stamps, and worrying about postage being safe in the stamp box. And it saves me trips to the postoffice, which is a long walk from here."

What will a postage meter do for you? It does away with old-fashioned adhesive stamps that stick and get stuck, are perishable, negotiable, must be safeguarded—and always run out when you need them. Metered mail is more convenient than government stamped envelopes, too!

A meter enables you to print postage as you need it, right on the envelope—any amount for any kind of mail. Or on gummed tape for parcel post. You always have the right stamp! And with every stamp you can print your own ad on the envelope.

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Mailing is fast, easy, neat. Metered mail needs less handling in the postoffice, can often make earlier planes and trains.

There is no minimum mail volume. One-third of DM users average less than \$1 a day for postage! Now, even the smallest office can have all the benefits of metered mail.

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FIRST AID FOR WORRIED WORKERS



JON SCHOONMAKER

Ability to recognize emotional upsets is first step toward easing of them

SOMETIMES we're happy, and our work shows it. Sometimes we're blue. That shows, too.

Almost all of us get so angry at times that we can't exercise good judgment.

Being worried and preoccupied enough to be irritable with others is so common that we have a phrase for it:

"He got up on the wrong side of the bed."

Other times, we are so tense that we tell each other: "Relax."

These are mild emotional disturbances. Having them does not mean we have to be hospitalized any more than having a cold means we are going to have pneumonia. But we do have emotions and they affect us in many ways. When they lower our effectiveness, we and our employes both are damaged. Mental

illness costs business billions of dollars a year.

Most physicians will tell you that more than half the people who come to them have aches and pains which stem from emotional causes. These are not imaginary pains. They are painfully real. Anyone who has played football knows some players get so tense before a game they can't hold their food down. Some of us have headaches or indigestion when something troubles us.

At least half of the two million people who miss work in the U. S. on any given day because of sickness suffer from emotional distress.

Each year approximately 15,000 people die in industrial accidents and two million more lose time because of injuries. As high as 80 per cent of accidents arise from psychological causes, according to some

experts, and others say this figure is conservative.

Most people who aren't promoted or who are fired lose out because of emotional distress. They can't get along with other people. There are no figures on the cost of this human waste.

Divorce, suicide, delinquency, alcoholism all take their toll, not only of the people involved but also of business and industry as well.

Mental illness is the nation's No. 1 health problem. Three quarters of a million people are patients in mental hospitals. A quarter of a million people enter such hospitals each year. One out of every ten persons some time in his life will be hospitalized for a mental illness. Fortunately, with good treatment, 80 per cent of those hospitalized can recover. Of equal importance

is early detection of emotional disorders and treatment, if necessary.

Some companies have taken steps to deal with the problem directly, employing staff psychiatrists or part-time psychiatric consultants. Some companies have psychologists or social workers as counselors.

Because emotional distress is so pervasive, the layman should be prepared to offer emotional first-aid when necessary.

Few situations are more uncomfortable than that of an emotionally distressed business colleague or subordinate. Coping with the distress of another person is difficult enough, but when the person is also a business associate the matter is complicated by such questions as: "What right do I have to invade another's privacy?" "What effect will this have on our business relationship when he is no longer so distressed?"

Sooner or later most people in business must face such a problem. A few guidelines may be helpful.

1. When do you help?

There are only two circumstances in which you are permitted to intrude into another person's privacy.

He may ask you for help, as a friend and associate. By doing so he makes his problem your business.

His job performance, for which you are responsible, may be impaired. He should know about it. Sometimes, when we recognize the other person is upset, we are reluctant to add to his burdens by telling him that he is falling down on the job. But no business can permit job performance to deteriorate long. Often, calling his attention to his job lag may make it possible for him either to talk about his problem or seek professional help.

By way of illustration, a 34-year-old plant manager, though new to the organization, was making a satisfactory profit. He had earned the support of his local group and satisfactorily handled rapid expansion and assimilation of new product lines. Despite his apparent success, the headquarters staff was rapidly convincing itself that he was incompetent.

When they visited him, he did not seem to know his job, did not seem to provide leadership, was impolitic and sometimes rude. He appeared to have a completely blank expression, asked questions whose answers he already knew. He seldom allowed them to know what he was thinking or even that he could think.

His immediate supervisor talked

with him about these impressions. The man let down his barriers enough to tell the supervisor why, as a result of family experiences, he acted as he did. He accepted the comments of the supervisor who, he felt, was genuinely interested in him. With this kind of support, his problems with others began to wane. The headquarters staff no longer complains.

2. How do you know that a person needs help?

There are three major signs of emotional distress. All involve change of behavior.

The person's usual manner may be overemphasized. A quiet person may become even more withdrawn. A well ordered person may become overconcerned with details. The hail-fellow-well-met salesman may increase his pace until he is described as "jet-propelled." Such people are racing their motors, trying to cope with stresses.

When increased use of the customary personality devices does not work effectively, more apparent signs of distress begin to appear. A person may be obviously restless or agitated. He may be unable to concentrate. He may become tense and jittery, perspire freely, feel panicky. These symptoms will be evident even to the nonprofessional eye.

Finally, there is a radical change in behavior. The orderly, controlled person may become alcoholic. The quiet person may become noisy and aggressive. Thoughts and ideas which are irrational may begin to appear.

The supervisor of an engineering department in a medium-sized company is an example. He had done very well until the past year. Now those who work with him find that he does not seem to comprehend problems or to grasp what has been going on. If he is given written explanations of decisions, he will still go off on a tangent, or will start discussing and recommending matters which have already been carefully examined and discarded. Some of his most important cost estimates have been grossly in error.

At the same time he is inclined to fancy himself as a negotiator, diplomat and politician. He is reluctant to take responsibility for important matters under his jurisdiction, but tends to edge into others which are not his province.

In addition, he has provoked minor irritations with top management.

Some of his associates have suggested that perhaps he is mentally

ill. They have been unable to agree, however, so he has not been referred to professional help.

3. What do you do when you are aware of a problem?

There are three principles to the helping process.

Act as a friend. Acting as a friend, the executive permits the distressed person to feel that it is all right to talk about his problem, that the executive will help. This provides some immediate relief because the distressed person now knows he can draw on the strength of the other. At the same time, by getting his problem out in the open where he can take a better look at it, he gets additional relief. With the temporary relief these two circumstances give, he can now think more clearly about appropriate further steps.

Listen. Listening is the most over-used word in human relations literature. Everyone talks about it; few know what it really means. It is the essential step in helping.

When you listen to another person, you imply you are willing to help him. This means to him that you believe he is a worthy human being and that you respect him as such.

Listening means that you recognize the distressed person has to feel as he does. He can't "snap out of it" or he would. There is no point telling him to do so. He doesn't want to feel the way he does. If he could feel differently he would. But a person can't stop feeling blue or jittery any more than he can stop having a fever or a headache. When we tell another person, as all of us have, "You don't need to feel that way," we merely indicate our own lack of understanding.

Let the distressed person tell his own story in his own way. Sometimes a point may not be clear, and a question may help clarify it. Other than that, every intrusion disrupts the listening process.

If you indicate you don't understand, by offering clichés or by doing the talking yourself, you are telling the distressed person he turned to the wrong man for help.

When a person turns to us in distress we, too, often get a little upset. Sometimes we really wish he would go to someone else. As a result, we may become subtly angry. We may blame him or tell him what he should have done, or criticize or offer pity, or provide logical answers to questions he has never real-

(continued on page 58)

Progress Report from
General Electric:

Five more
G-E lamp
improvements
that give
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light, better
performance

If you use
Fluorescent
Lamps:



1 CUT INITIAL COST AS MUCH AS 40¢ A SQ. FT. with powerful new G-E Power Groove* Lamps. You get all the light you need—with fewer lamps, fewer fixtures to install and maintain. The secret's in the grooves which bend the arc stream . . . lengthen it . . . and cause the lamp to give more light. Only General Electric has 'em.

*General Electric's trademark for configured fluorescent lamps

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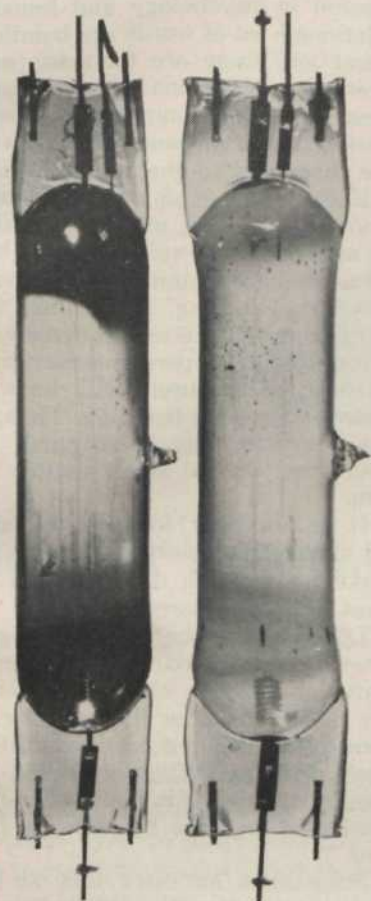


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2 NEW "WATTAGE MISER" CATHODE SHIELD FOR G-E PREMIUM 3 LAMPS—Another G-E development—reduces wattage loss, permits higher efficiency. Only 40-watt fluorescent available that delivers over 3,000 lumens. You get more light per dollar than from any other 40-watt fluorescent you can buy—and they are in free supply.



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OLD



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3 6,000 EXTRA HOURS OF USEFUL LIFE!—That's the big bonus in every 400-watt G-E "Bonus Line" Mercury Lamp. This means you get lamp savings (they have a longer useful life), maintenance savings (less frequent replacement), and better lighting (they stay brighter longer). G-E "Bonus" electrode (at right) won't blacken the arc tube; it deposits a white coating that lets light come through. For full details . . . write for "Simplified Bonus Line Mercury Lamp Letter".

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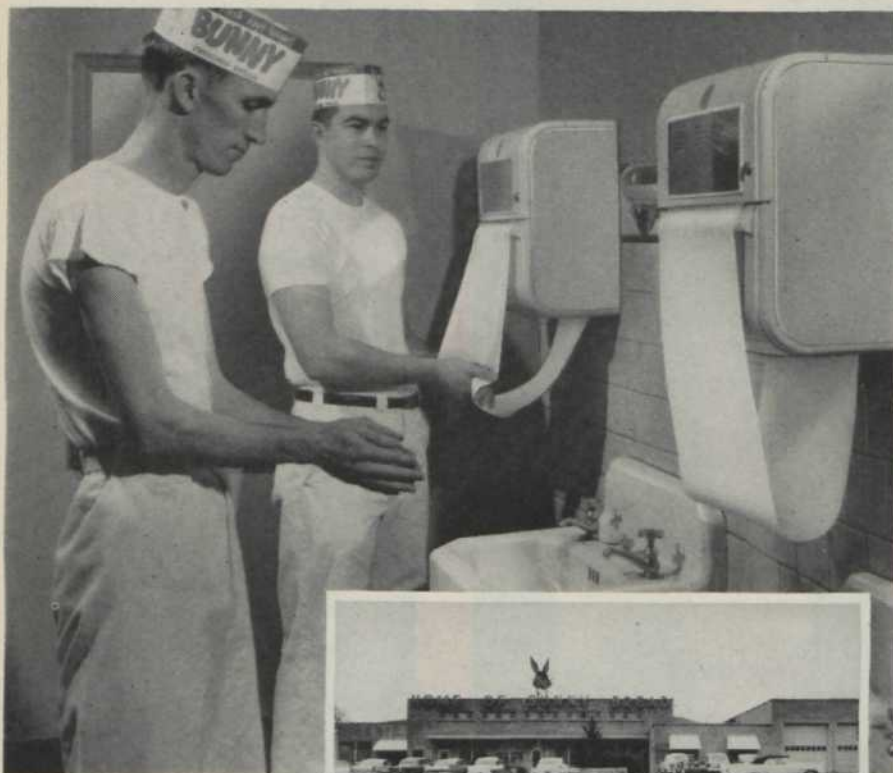
5 GLASS "BRIDGE" KEEPS PAR LAMPS UP TO PAR—Exclusive feature in General Electric PAR Lamps grips the lead wires, keeps filaments in line so shock and vibration won't distort the beam pattern. You get more light in a given area—a more uniform light, too. Now available —100-watt size in six colors.

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WORRIED WORKERS

continued

ly asked. To do so is to fail to listen.

In these days of increasing discussion of psychology and human relations a lot of words are bandied about and there are too-ready answers for all kinds of questions. Most of them are inappropriate psychologizing of the worst kind. Leave the diagnoses to the professionals.

Each of us has his own problems. Those of the next man may strike us as trivial. Our reaction is to become impatient and restless, even if we say nothing. "He thinks he has problems," we say to ourselves. When the other person senses this attitude, as he surely will, he will know you are not listening. Though his problems may seem small to you, they are no small matter to him.

It is not easy for one to take his distress to another person. To make light of his discomfort is to treat him with disrespect.

Listening is sometimes difficult when the troubled person cannot state his problem clearly. Remember that even under the best of circumstances it is not easy to express one's feelings. When a person is deeply troubled it is just that much harder. Sometimes he talks in circles.

Sometimes he can't talk at all and sits silently. We rush in to say something. When we do we stop listening.

When we become uncomfortable listening, we unwittingly try to escape. Sometimes we do this by offering a bit of wisdom. Advice costs nothing. It is one quick way of getting rid of the other person without really having to give him any attention.

Another way of escaping is to make decisions for the person. "That will solve his problem," is the thought. But it won't. Unless he is too upset to make rational decisions, he must come to his own. The listener's job is to help by being a sounding board against which alternative solutions may be tried. Making his decisions for him only creates resentment.

There is one exception. If the distressed person can't control himself, someone else will have to assume control. Few of even the most disturbed people are dangerous or violent. They are terribly frightened. They don't know what is happening to them. A familiar face, a comforting friend, will provide a





Here's something you can do to help keep your taxes from going higher

A tight circle has been raising costs and taxes for every business and every businessman . . . heavier government spending leads to deficit financing which of course leads to more inflation . . . and more inflation leads right back to higher costs and taxes.

One of the likeliest ways to break the circle is to cut out federal spending that is clearly unnecessary.

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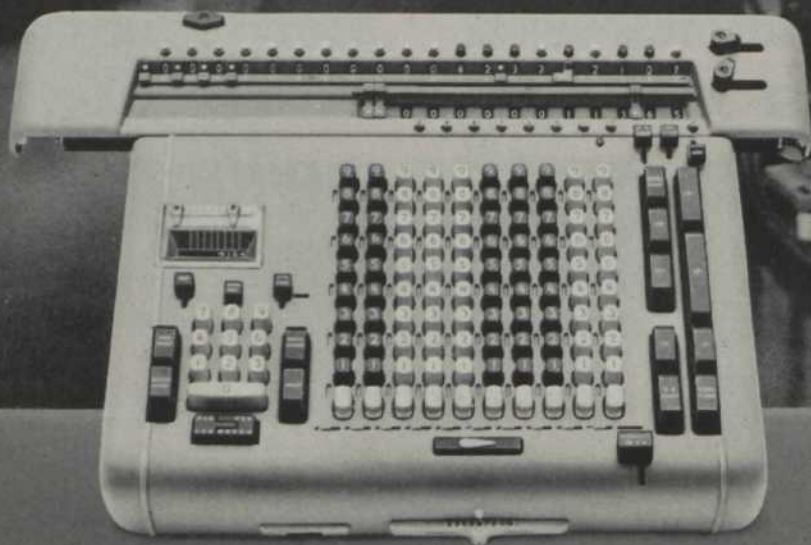
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SALES, SERVICE AND INSTRUCTION
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Friden

WORRIED WORKERS

continued

stable reference point and some relief from fear.

Limit. You are a businessman, not a psychotherapist, or counselor. These two facts draw your limits.

You cannot go beyond the ordinary means of supervision available in your company. If you cannot solve a problem within the channels you have, then it is time to refer the person to a professional.

When you have not been able to help the person solve his problem in an interview or two, rarely more, it is time to send him for help.

You will not be able to solve all problems which come to you, nor even a significant proportion of them. Too many executives carry a sense of guilt because they have not solved human relations problems, many of which would defy a skilled psychologist or psychiatrist.

Here is a case in point. The assistant to the president had been with the company 35 years and was within two years of retirement. When the president talked with him about his projected retirement, he disagreed with the compulsory retirement policy. He tried to bring pressure on the president through friends not to retire him.

A year before the retirement date, the president again talked to him. It was apparent the assistant had made no plans. He had not talked even to his wife about retirement.

Six months before retirement he had a heart attack, so he was not able to continue working as he had before. Despite this new problem, he would not even talk about his forthcoming retirement.

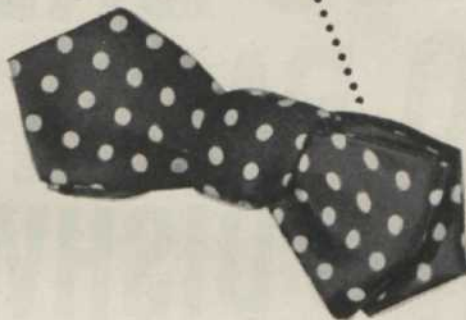
Shortly before the date of his retirement, he came to the president with tears in his eyes, presenting many problems he thought would occur when he retired. He was given a two-month extension, by which time he thought he would have solved some of the problems and be ready to retire. When the two months were up he asked for another extension. It was denied.

Here, despite repeated efforts by the president to counsel with the man and to help him deal with approaching retirement, he could not accept the fact. Such a denial of reality presented a problem beyond the capacity of a layman. It would not have been easy even for a professional to help him face and deal with reality.

You will not be of much help
(continued on page 64)

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one contract...and sell our best prospects

TELL ME MORE!



Ad. Mgr.: Well, now we can buy any combination of over 4,000 Yellow Pages directories all across the country. Make them fit our geographical marketing pattern.

Sales Mgr. But how do we know the right combination of directories to buy?

Ad. Mgr.: The Yellow Pages people will furnish us with all the marketing info we need — which directories cover which markets and so on.

Sales Mgr. And what's this about selling our best prospects?

Ad. Mgr.: Just ask yourself who our best prospects are. The people who are ready to buy — right? And surveys show that 9 out of 10 check the Yellow Pages when they're ready to buy.

Sales Mgr. Okay — but doesn't it tell only *where* to buy?

Ad. Mgr.: Not now! This new NYPS lets us put *selling* ads in Yellow Pages directories — selling ads that reinforce our national advertising.

Sales Mgr. Just one contract covers it all?

Ad. Mgr.: Right. And just one monthly bill, too. Saves plenty of paper work and red tape!

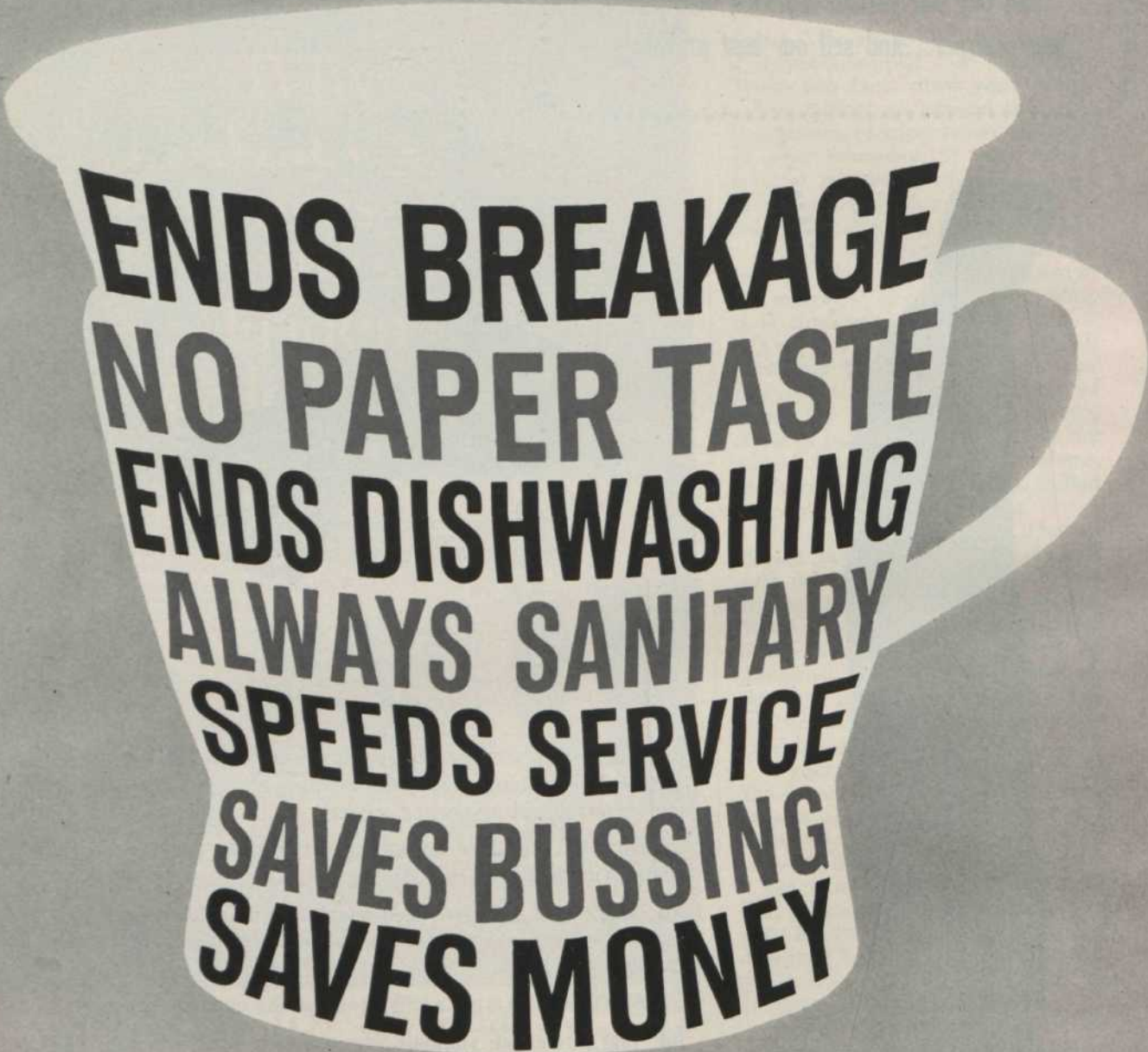
Sales Mgr. I think we ought to buy it.

Ad. Mgr.: Good... 'cause it's already in the works!

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WORRIED WORKERS

continued

to the person with long-standing chronic and repetitive problems. Nor will you be able to help the person who is already showing signs of severe distress—panic, agitation, marked behavior changes, suicidal threats. He needs to be in professional hands. And don't minimize suicidal threats. Let the professional decide whether he means it.

You will be able to help the person whose stress results from some acute job or family difficulty.

4. When should you exercise particular care?

When a person in distress turns to another for help, he does so as an act of trust. He opens himself, believing the other person will help. He may feel free to express his anger or his fears, even to the point of tears, because he feels his confidence will not be violated.

The listener may be embarrassed or even angered by a demonstration of emotion. He should recognize such behavior as an act of trust and not be dismayed. Above all, he must not violate his own integrity by talking about what has been confided to him.

When a person is distressed, it may be difficult for him to remember what has been discussed and the conclusions reached. Often it helps to summarize the results before he leaves, particularly if he is to take additional steps toward help.

Sometimes a person may later feel he said too much. This feeling can be so strong that he may ignore the person whose help he sought. Such behavior should be anticipated. It may be avoided if, before the distressed person leaves the office, the listener indicates that such feelings are not unnatural or unusual.

5. What about referral?

Every person in a position of responsibility should have someone to turn to for guidance when emotional emergencies arise. If there is a company medical department, that should be his first source of help. Outside the business there are psychiatrists, clinical psychologists, and psychiatric social workers. In many cases, help is available at the other end of the telephone, particularly in larger communities where there are family service agencies, mental hygiene clinics, out-patient clinics and alcoholism clinics. The family physician of the troubled person is often a good source of help and guidance.

If the person must be referred for professional help, it is best done in a matter-of-fact way. It is certainly appropriate to suggest that the problem calls for help from someone who is professionally trained to deal with such problems. The suggestion of referral is essentially the opening of another avenue of help.

If, however, the person feels he is being passed off or that he is viewed as crazy, hopeless, or just not worth attention, he will not take advantage of help to which he is referred. The attitude of the listener in suggesting referral is probably as important as any other single factor in whether additional help is sought.

Even when the referral has been made, it is important for the person to know that the listener is standing by to help further if he can. A source of psychological support is an important need in everyone's life.

—DR. HARRY LEVINSON, director,
Division of Industrial Mental Health,
The Menninger Foundation

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WHAT UNIONS WANT **NEXT**

Labor's chances of achieving goals are better. Here's why



Labor's top lobbyist, Andrew J. Biemiller, former member of Congress, discusses pending legislation with aides on AFL-CIO staff, Jack Curran (left) and H. H. Bookbinder (right)

UNION INTEREST and influence is spreading fast beyond the traditional objectives of improved wages, hours and working conditions and into the government's fiscal, tax and general economic policies.

Unions want, and may get, a voice in the government's monetary policies.

They want more say as to who pays taxes and how much, and how the government spends its money.

They want to plan the country's economic growth.

They want more social welfare benefits, controlled by the federal government, and paid out of taxes.

They want government help in cutting the work-week down and forcing wages up.

And they want to return labor-management relations to the days of the New Deal Wagner Act.

George Meany, president of AFL-CIO, says these goals are necessary to insure a strong, prosperous national economy and to help build "a better social world."

Even if achieved only in part, these objectives

would add immeasurably to business costs, further restrict management's operation of a business, regulate the economy still more, and accelerate the trend toward a centralized government.

Labor's goals have always been impressive. What gives them special significance at this time is that the chances of making substantial progress toward them probably are the best ever. For, to back them up, labor's leaders have built the biggest and potentially most powerful political machine in the country.

The next few years should see a considerable increase in labor's influence in government. This can be said when one considers the views of major political candidates and political leaders; the scope and depth of labor's political activity; and the Democratic and Republican Party platforms, which include much of what unions are after.

Labor's political machine has two main parts and purposes:

One is the intensive and extensive grass-roots poli-

tical activity of many labor organizations. Its purpose: The election and selection of public officials who will be most friendly to unions.

In some ways, and in some places, this political activity is more important and more effective than that of the major political parties. In the congressional elections two years ago, unions reported spending \$1,828,000, or \$126,000 more than the Democratic Party spent. This did not include millions spent for so-called political "education," for which no public accounting is necessary, and for state and local candidates. They will spend much more this year.

The second part, and next step, consists of intensive lobbying in Washington, state capitals and many local governments. Its purpose: To influence legislators and other officials to pass and administer laws more favorable to unions.

In Washington, for instance, almost every union has a lobbyist to influence legislation of general labor interest or of particular interest to the union. Lobbyists for the 134 unions in the AFL-CIO meet once a month as members of an AFL-CIO Legislative Council. The AFL-CIO Legislative Department, headed by Andrew J. Biemiller, former Democratic member of the House of Representatives from Milwaukee, briefs them on the status of legislation they are especially interested in. Strategy and tactics for influencing the legislation labor's way are discussed.

An Administrative Committee, with Mr. Meany in the chair, meets every Monday when Congress is in session.

In the past two years, the AFL-CIO made more than 100 appearances before congressional committees to present testimony on pending legislation.

Besides publishing and distributing the usual bulletins, leaflets, fact sheets and pamphlets and stimulating letter writing on legislative issues, the AFL-CIO arranges visits of union members with their senators and representatives and sponsors legislative conferences.

Sometimes a special campaign is made to get a particular bill passed or defeated, as in the case of minimum wage legislation.

The drive to boost the minimum wage and expand coverage began two years ago on the twentieth anniversary of the Fair Labor Standards Act, commonly referred to as the wage-hour or minimum wage law.

Twenty unions formed a Joint Minimum Wage Committee. With the help of AFL-CIO staff experts, a campaign was begun that included circulation of petitions, a letter-writing drive, visits to senators and representatives, distribution of literature, resolutions

Labor goals in Congress...



Labor-Management: Return to Wagner Act and closed shop, ease welfare fund controls, curb application of state labor laws



Wages: \$1.50 minimum hourly pay for almost everyone, seven-hour day, more liberal pay on public works, equal pay for women



Compensation: Federal systems of unemployment and workmen's compensation, giving more income to jobless or injured workers



Social security: Paid medical care for aged regardless of need, cash benefits to workers when ill, larger old-age pensions



Economic growth: More federal spending and intervention in local problems to achieve planned five per cent growth



Monetary and tax policies: Union voice on Federal Reserve Board, shift of tax burden to business and higher incomes

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UNIONS WANT

continued

of support from local governing bodies and some proclamations by state governors.

It was expected to culminate in the current session of Congress with a boost in the minimum wage from \$1 to \$1.15 or \$1.25 an hour and expansion of coverage—for the first time—to millions of additional workers.

The amount of money spent for lobbying is another indication of the extent of labor's activity in the legislative field. Last year the International Brotherhood of Teamsters reported spending \$242,951 to influence federal legislation. This was \$100,000 more than was spent by any of the other 274 registered pressure groups and the largest outlay reported by any organization since 1953, according to *Congressional Quarterly*, a nonpartisan congressional information service.

Only five other organizations reported lobbying expenditures of more than \$100,000 during 1959. One of them was the AFL-CIO, which spent \$132,000. The International Association of Machinists reported spending \$90,600 and the AFL-CIO Industrial Union Department, \$65,900.

In recognition of the growing usefulness and importance of government to labor's objectives, more unions are moving their headquarters to Washington where they can be closer to the seat of power. Fifty-six national unions now have headquarters in the nation's capital. There will be 57 when the Carpenters Union moves soon from Indianapolis. Many of them have built their own buildings.

Labor's legislative objectives were detailed by Mr. Meany in his presentation to the platform committees of the Democratic and Republican Conventions. Major goals:

Labor-management relations: The AFL-CIO wants to return to the Wagner Act through repeal of those parts of the Taft-Hartley and Landrum-Griffin labor reform laws which undermine the basic policies of the New Deal measure.

This would include going back to the closed shop under which unions control hiring, lifting of controls on employee welfare funds, validating secondary boycotts, restricting free speech rights of employers, relaxing use of court injunctions against unions, and restoring federal supremacy in labor law.

Right-to-work: The AFL-CIO wants—and the Democrats have promised—nullification of the 19 state laws which make it unlawful to require membership in a union as a condition of work. This would be achieved through repeal of Taft-Hartley's Section 14 (b) which allows the states to pass such laws and gives them precedence over the federal law, which permits compulsory union membership.

Union regulation: The AFL-CIO wants many of the strict rules for assuring clean and democratic operation of a union yanked out of the new Landrum-Griffin law. It considers many of them burdensome, unnecessary and in some instances unfair.

Minimum wages: Labor wants the federal minimum wage raised eventually to \$1.50 (as was included in a 1955 bill unions supported).

They want time-and-a-half overtime to be paid after 35 instead of 40 hours a week to give impetus to labor's goal of a shorter workweek in union contracts. And they want the wage-hour law to apply to almost all workers, including those employees in small local businesses.

For work on federal contracts, labor wants fringe benefits included in determining existing wage levels which government contract employers must meet.

Unions want the public contracts wage laws to apply to construction which is federally insured or is done with indirect federal assistance in addition to direct federal construction. This would include homes with FHA financing and would raise their costs.

Labor's demand for equal pay for women has the support of both political parties.

Unemployment compensation: The long-range union objective is to substitute a federal system of unemployment compensation for the existing federal-state program and to protect workers against any loss in pay while unemployed. Unions are trying to achieve this now through employer supplementation of unemployment payments.

For the time being, however, unions will settle for a federal reinsurance fund to help states hard hit by unemployment and for federal determination of the amount and duration of jobless pay. They want unemployment payments to be at least half a worker's weekly earnings, subject to a maximum of two thirds the state's average weekly



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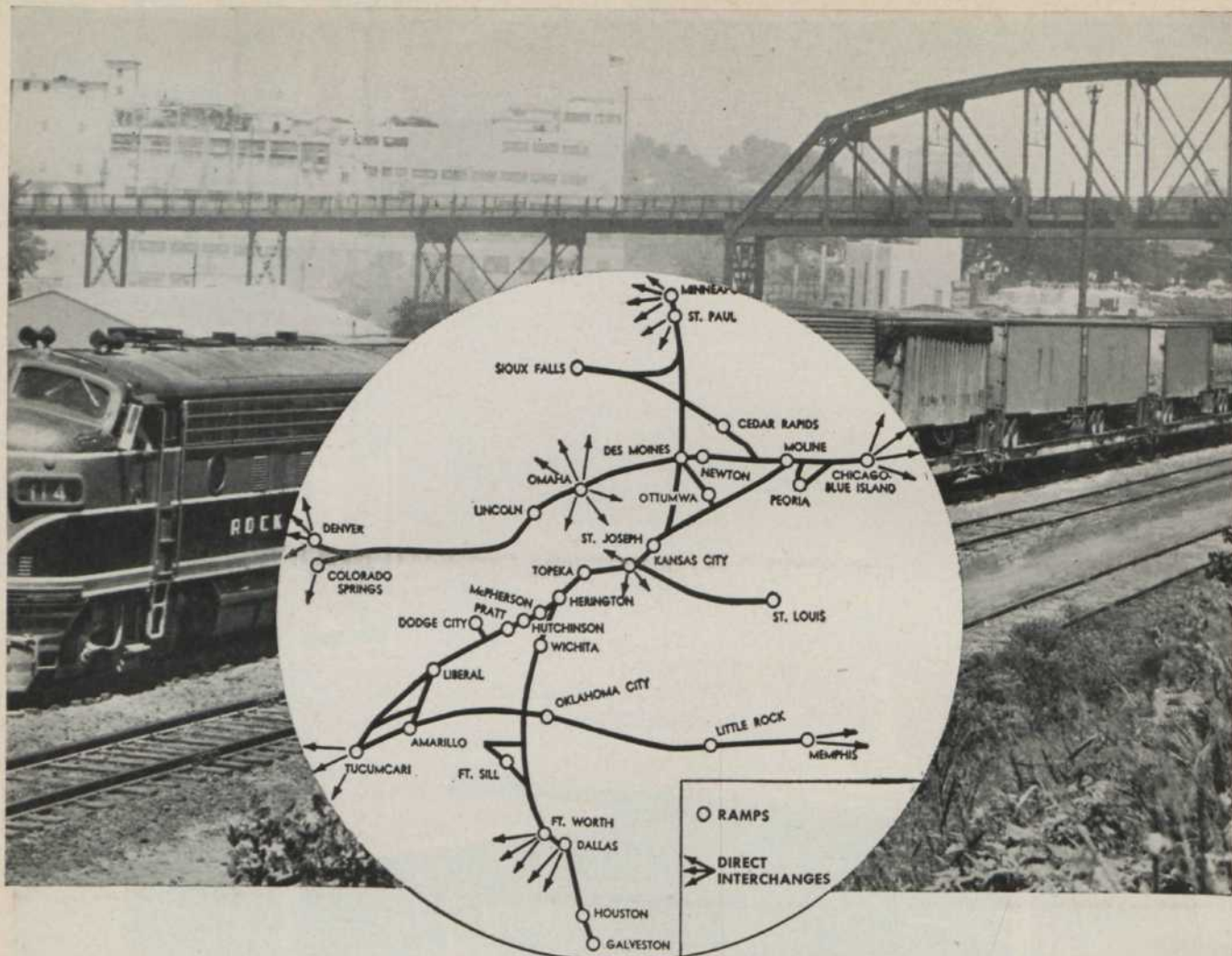


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UNIONS WANT

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wage, and to continue for at least 39 weeks.

Workmen's compensation: As in unemployment compensation, unions want the federal government to set minimum standards of benefits for the states to follow in compensating workers for job-connected injuries. They also want an injured worker to get medical care for as long as is needed.

Employers pay for both unemployment and workmen's compensation.

Social security: Labor wants government pensions increased.

It wants workers to get some pay during periods of temporary disability, or sickness, as is provided by a few states.

It wants medical care provided for the aged, regardless of financial need, under the social security law.

Economic growth: The AFL-CIO favors a planned growth of five per cent a year in the economy, stimulated by increased federal spending programs and other assistance for construction of water facilities, school rooms, housing, mass transportation, recreational and cultural facilities; for urban redevelopment and various other largely local projects.

It wants increased federal intervention to attack long-term unemployment problems in many local areas.

Monetary policies: The AFL-CIO wants to end the independent status of the Federal Reserve Board, whose policies, it says, stifle initiative and growth and lead to economic strangulation.

It wants unions, consumers and small business to be represented on the Board of Governors of the Federal Reserve and on the boards of its 12 district banks.

Taxes: The AFL-CIO wants the tax laws changed to shift more of the burden on business and individuals in the higher income brackets.

Specifically, it favors raising the \$600 personal exemption, cutting excise taxes on everyday articles, reducing the favorable treatment given to capital gains income, eliminating depletion allowances, subjecting dividend and interest income to a withholding tax, and making tax concessions to small businesses while maintaining present corporate tax rates.

END

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OUTLOOK FOR NEW BUSINESS REGULATIONS

Top legal expert analyzes prospects
in this Nation's Business interview

A NEW DRIVE for more federal regulation of business seems certain early next year.

No matter who is in the White House, prices, mergers and antitrust laws will be important issues in the new session of Congress.

So-called administered prices, which some lawmakers contend are set by management rather than supply and demand, will again come under fire.

Both political parties are pledged to vigorous antitrust enforcement.

For an independent, nonpolitical analysis of future prospects for more business regulation, NATION'S BUSINESS interviewed Prof. S. Chesterfield Oppenheim of the University of Michigan Law School.

One of the nation's top authorities on antitrust law and unfair trade regulation, he served as cochairman of the Attorney General's National Committee to Study the Antitrust Laws in 1955, and is the author of many books.

Here's his assessment:

Professor Oppenheim, where will the major business regulation controversy center in the next few years?

In my judgment the paramount issue will be business bigness. The attack on big business will continue either through congressional action or judicial interpretations of the antitrust laws.

Right now the Supreme Court and lower court antitrust decisions do not condemn business size as such. We have no evidence that Robert A. Bicks, head of the Justice Department's Antitrust Division, is attacking bigness in itself as antitrust badness.

However, some politicians and economists would like to have Congress place a statutory limit on business size. But most economists oppose such a ceiling as destructive of the incentive and spirit to compete and contrary to the objectives of our antitrust laws. Moreover, any attempt to fix a specific limit on business size is impractical because of the diversity of American industry. One of the barriers to clear

PROF. S. CHESTERFIELD OPPENHEIM of
the University of Michigan Law School

thinking on business bigness is the failure to distinguish between the rare situations where a single firm has monopoly power over a whole market and the frequent situation where several large firms have a major share of production and sales in a market.

These large firms may be competing as vigorously as an industry composed of many small firms.

I believe that an antibigness approach is a futile and nostalgic desire to go back to the early American economy when competition was carried on among small business units and our technology was in its infancy. Today we have a new competition which involves mass production and mass distribution resulting from modern technology.

Private enterprise must have the basic freedom to make managerial decisions. But the final decision makers are the millions of American consumers.

What changes are needed in the antitrust laws?

I believe there is no need for basic substantive revision of any of the major antitrust laws and I see little prospect of such changes.

I think the antitrust laws are already pretty tight. Enforcement has also been tight since 1938, when Thurman Arnold was antitrust chief. Since 1953, when the Republican administration came into power, enforcement has been just as tight and, indeed, some may think even tighter.

Is non-price competition properly recognized in antitrust cases?

I would say that the courts, the Antitrust Division, and the Federal Trade Commission concentrate too much on price competition, while ignoring the reality of non-price competition.

This covers such factors as brand names, packaging, design, style, quality, and service, many of which are far more important than price. Undue preoccupation with price competition has produced many fallacious notions about the nature of competition, including the theory of so-called administered prices.

Is advance notice of proposed mergers necessary?

Such legislation is not needed.

The Justice Department and FTC already have effective means of becoming informed from various trade and financial sources on significant proposed mergers even before they are consummated.

A mandatory premerger notification provision, even though limited to acquisitions with a specified size in assets involved, would tend to overwhelm rather than aid the Justice Department and FTC, because of the great burden of investigating the probable competitive effects of such proposed mergers.

Then not all mergers are bad?

Definitely not. Mergers as such are neutral business forces. They may either promote or lessen competition. Section 7 of the Clayton Act is not intended as an antimerger statute, although often so described. Section 7 seeks to distinguish good from bad mergers

when judged by the competitive effects in the market. In brief, it is intended to nip in the bud mergers that would lead to undue concentration of economic power. The statute definitely does not condemn bigness resulting from mergers as such.

What about proposals to overturn the Supreme Court ruling that meeting a competitor's prices in good faith is an absolute defense against price discrimination charges?

These proposals would deprive a competitor of the elemental right of self-defense which is indispensable to the competitive system. Competition necessarily requires one competitor to respond to price cuts of his rival in order to maintain his share of the market. Any legislation which weakens this defense would be inconsistent with national antitrust policy.

Quite often the prices of competitors are identical or nearly so. Is this an antitrust violation?

Definitely not. This was once a burning antitrust issue, but the Supreme Court has made it plain that what we call "conscious parallel action" of competitors is not in itself the equivalent of conspiratorial conduct in violation of the Sherman Act. This past

Ground rules for competition

These are the general provisions of some major laws governing business practices:

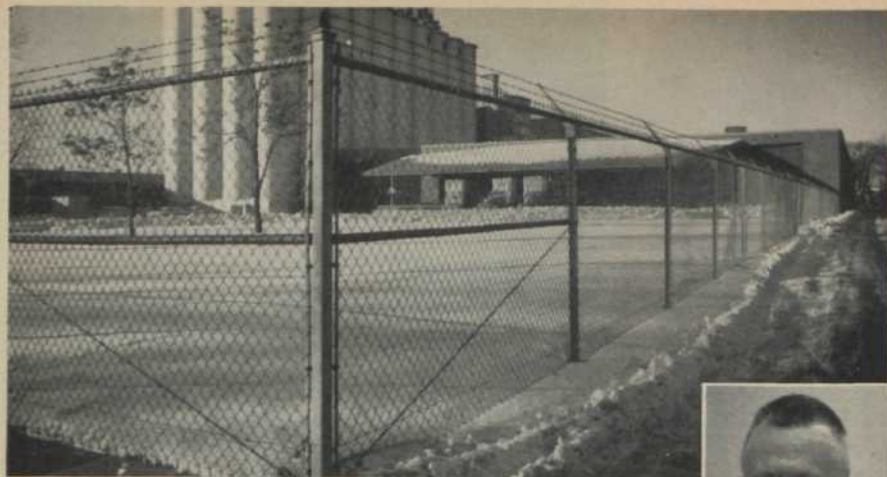
SHERMAN ACT—Prohibits contracts, combinations or conspiracies to restrain trade, outlaws any attempt to monopolize any part of trade or commerce, domestic or foreign (passed 1890).

CLAYTON ACT—Bans price discrimination among customers and exclusive dealing arrangements when they tend to substantial lessening of competition or toward monopoly in any line of commerce (passed 1914).

FEDERAL TRADE COMMISSION ACT—Outlaws "unfair methods of competition" and "unfair or deceptive acts or practices" (passed 1914).

ROBINSON-PATMAN ACT—Prohibits discrimination in prices and services that give favored customers an unfair competitive advantage (1936 amendment to the Clayton Act).

MERGERS—SECTION 7 of the Clayton Act, amended in 1950, prohibits acquisition of stock or assets of another corporation "where in any line of commerce in any section of the country, the effect may be substantially to lessen competition, or to tend to create a monopoly."



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REGULATIONS

continued

year we have had two dramatic illustrations of this distinction. One was in the polio vaccine case, where the court dismissed a criminal indictment because the Justice Department had failed to prove that the identical prices were the result of conspiracy. In the Tulsa oil case another criminal indictment was dismissed for the same failure of proof by the Justice Department.

Is it worth while for a company to fight an antitrust case?

I know some businesses that are charged with antitrust violation may answer this question in the negative. I consider this unjustified timidity. I believe government should not go unchallenged if the firm believes that the issue is significant to itself and the industry.

Otherwise there is danger that government might become indiscriminate in its selection of cases for prosecution. Any complacency in avoiding litigation or in docile acceptance of a consent settlement which exacts hard bargains will tend to create the very peril of undue government interference which business seeks to avoid.

Despite the great cost in money and management time, it is worth the price for corporations who have the resources to submit unclarified antitrust issues to the courts.

Should labor unions' present exemption from the antitrust laws be eliminated or narrowed?

Some narrowing of labor's exemption may be required when antitrust policy is inadequate to cope with union activities that go beyond the generally accepted labor objectives. Labor's present exemption does not apply where labor acts collusively with business or other non-labor groups. I believe the exemption also should not apply to conspiratorial action among unions to tie up an entire industry.

The Department of Justice is making genuine efforts to attack union practices aimed directly at commercial market restraints, such as market price fixing or control of production, which are already illegal. These practices conflict with antitrust policy and should be vigorously prosecuted. To the extent restraints of this type are not effectively curbed by either antitrust or federal labor-management statutes, there should be appropriate legislation to fill this gap.

END

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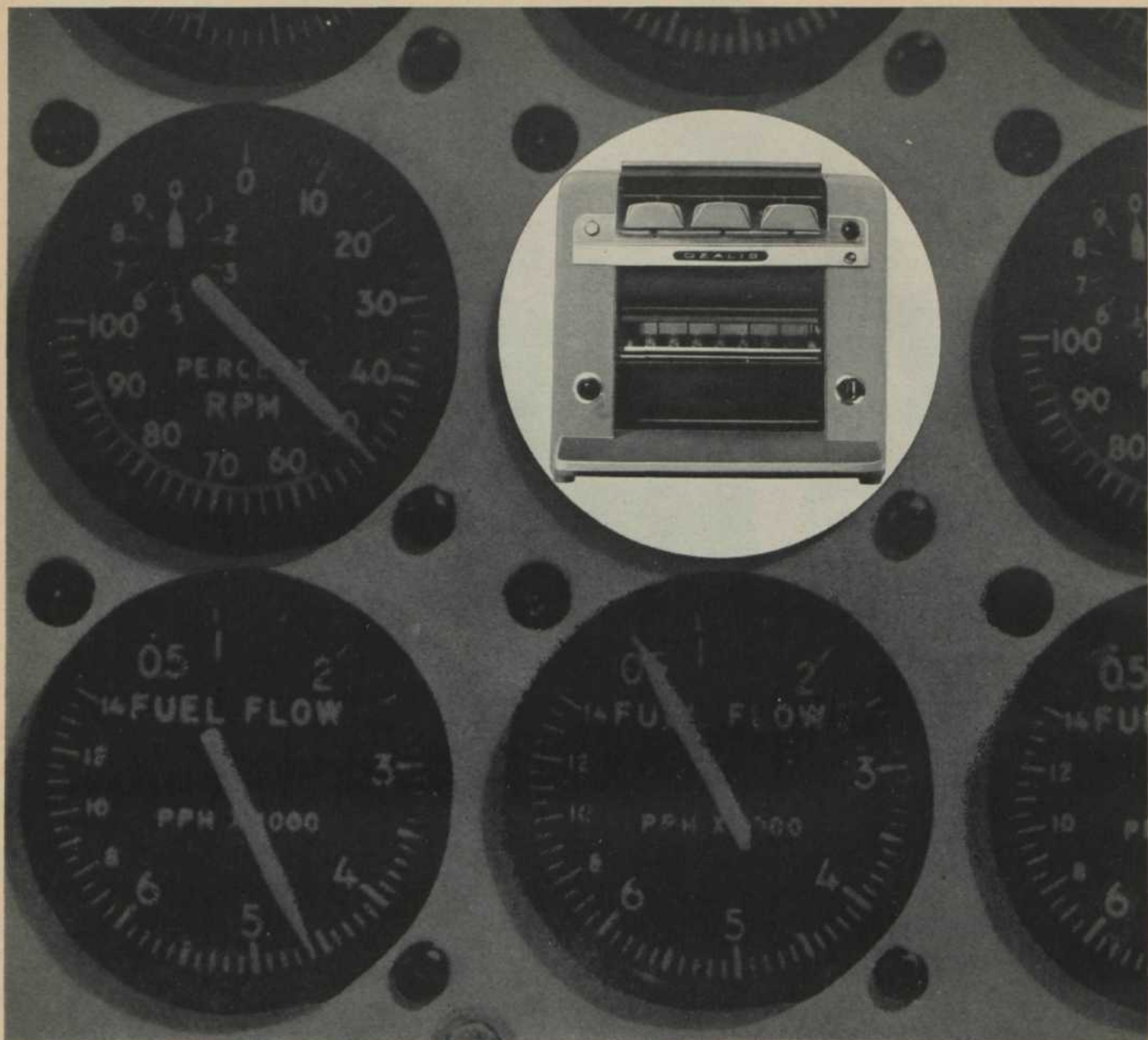
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NATION'S BUSINESS EDITORS REPORT ON: Sales outlook

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Production pace is set by demand from four sources. Here's outlook for these sources, based on best unjuggled facts Washington's nonpolitical economists have at this time.

* * *

1. CONSUMERS. Look first at income. What Americans have to spend and save is highest ever--headed upward. Total personal income now is \$404 billion a year, nearly \$20 billion higher than year ago.

By Christmas, income rate will reach or surpass \$412 billion.

What happens to this money? Nearly \$50 billion is headed directly into tax bins. About \$26 billion will go into personal savings.

That leaves estimated \$328 billion to spend for goods and services.

Key question here is: Will consumers continue to increase buying as income rises? Guess is they will, though cautiously.

Consumption, over all, is likely to rise about four per cent for the year.

* * *

2. BUSINESSMEN. Earlier plans to boost plant and equipment expenditures are being carried out. You've heard estimates of \$37 billion for the year. Current spending rate is \$37.5 billion, up from \$35.2 billion during first three months this year, up from \$32.5 billion '59 level.

Some economists look for modification of these plans. Modification, if it comes, would mean a probable 10 to 12 per cent increase over past year rather than 14 per cent originally scheduled.

Businessmen could also add to demand by increasing inventories of goods on hand, getting ready for expected sales rush ahead. Retail sales show what's happening. Average now, at peak level, is running \$350 million a

SPECIAL LETTER: SALES OUTLOOK

month higher than past year. This provides one key to gloom talk you hear. Pessimists think bloom is off the boom because sales aren't up \$1.3 billion a month, as they were in '59 over '58.

Goods on hand--inventories--are roughly the same as year ago, slightly higher than two, three, four years ago. Keeping lower inventory relative to sales reflects continuation of trend now years old. It's expected that huge inventory buildup will not come in months ahead although a moderate increase is likely. Sales probably will continue current trend, rising somewhat during the fall.

* * *

3. GOVERNMENT. Uncle Sam, states, local governments together will spend an estimated \$100 billion this year for purchase of goods and services. Amount doesn't include more than \$48 billion which governments will spend for wages and salaries.

Note: Increase this year, about \$3.5 billion (due largely to higher outlays by states, local governments), will be lower than \$5 billion '59 increase over '58, will also fall below \$4.5 billion yearly average for past five years. Demand will be higher, but magnitude of increase will be lower than average--about 3½ per cent instead of 4½ to five per cent. White House is speeding placement of new orders. This means higher spending in '61.

* * *

4. EXPORTS. Commercial exports are running well above year ago. Monthly average exceeds all years but one ('57), could surpass that by year end.

Europe's boom, higher purchases by Japan account for much of increase.

Trends point to possibility that exports this year will increase by about \$2 billion.

* * *

SUMMARY: Demand in four sectors is increasing. Volume, over all, is climbing. But rate of climb is uneven for all products and services.

Growth rate, although slackening, still will be higher than long-term average. Production pace is expected to quicken in the fall, early winter.



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REAL GROWTH

continued from page 41

little to show that the issues between us and the rest of the world will be governed predominantly by our economic successes, or that we can buy safe survival with an additional one or two per cent of economic growth.

These are criticisms to be made of excessive claims on behalf of the problem-solving power of economic growth. They are needed to supply perspective.

But the principal issue to be raised with some of the growth enthusiasts must be, not over the merits of growth in general, but over their particular purposes and methods. When we look at these schemes, it becomes apparent that some of them have little to do with promoting growth. Economic growth for their promoters has simply become an attractive new label to paste on their old package of big deficit spending and easy money proposals. General government expenditures, whether supported by honest idealism or selfish interests, do not necessarily accomplish much in the way of economic growth.

Welfare expenditures are right and good in their place, but a good part of them is pure consumption. Expenditures benefiting particular interests or sectors of the economy frequently are of little general value; quite often they are harmful. Those who label these as "growth expenditures" are trading on a confusion between growth in capacity, which is the essence of economic growth, and a more intensive straining in the rate of use of existing capacity. Greater expenditures of this sort may push the economy closer to the limits of its capacity. But they do so at the serious risk of damaging it in the process through inflation. They do not increase its capacity, and so fail to produce growth in this more basic sense.

The proponents often claim that rising demand will stimulate rising investment and thereby raise capacity and generate true growth. What they do not observe is that what we consume we cannot invest. If more resources are devoted to consumption, less will be left over for investment. That is as true of public spending for consumption purposes as it is of wage increases that go at the expense of investable resources.

The plowing back of a high share of output into investment is an essential condition of growth.

That is brought home to us every day—by the countries that are investing much and growing fast, and by those which are investing little and not growing much.

Among those who today project ambitious growth plans, there are many, of course, who recognize the need for investment. They allow for it in their plans—often with a strong accent on public investment, including such intangible but probably effective forms as education. What many such schemes have in common with those urging principally more consumption is a tendency to overwork the economy. They tend to strain its resources and capacity beyond the possibility of balance by trying to do too much at once. Put into effect, such schemes would create demands exceeding supplies. They would set too much money chasing too few goods. Prices would rise, scarcities would develop, and the economy would become disorderly. That is not a firm basis for further growth.

Those who would strain the economy to the utmost limits of its physical capacity are disregarding, in effect, the restraints imposed by free markets and by finance. This disregard has had its forerunners in our economic history, though under very different conditions. During the depression of the 1930's, some people who called themselves technocrats had a similar view of the economy. They saw it as a piece of machinery whose only function was to produce, without regard to problems of selling and financing. The technocrats' present-day successors are proposing to accord the same treatment, at a more sophisticated level, to what would be a condition of insufficient supply. They are arguing, in effect, that all that can be produced can be financed and distributed without bottlenecks and imbalances. Only production counts; the financial and the market functions of the economy are taken for granted.

The phrase "what can be produced can be financed" comes from the days of World War II. Finance was, rightly, not allowed to be a limitation on output even though the government had grossly to inflate the money supply to pay its bills. The financial consequences—strong inflationary pressures—were blocked by price control. The market consequences—severe shortages and imbalances—were suppressed by consumer rationing and by controls over materials and manpower. Freed from the need to maintain financial and market equilibrium,

but fettered in every other sense, the economy was able to turn out all that the government demanded.

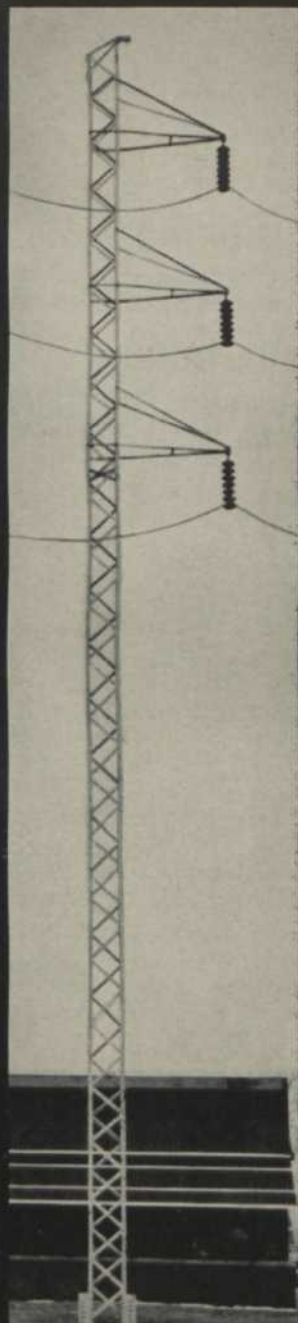
That kind of economy is not acceptable to us in peacetime. To accommodate the more extreme growth plans, something along those lines—though more moderate—is what we would have to do. If we were prepared to restrict the consumer, control prices, wages, materials and manpower, and if nothing counted but an increase in output—with the government as the principal customer—we might generate growth enough to outgrow the Russians. Our economy would also have become so like theirs, however, that the meaning of the competition would have vanished.

A centrally controlled economy run with ruthless disregard of the consumer could show more rapid growth than a free economy. But only a dictatorship could conduct such an economic policy. A centrally controlled economy responsive to consumer wishes and operated by a democratic government would run a grave risk of getting the worst of both worlds—the free-wheeling consumption and relatively low savings of the free economy, and the loss of individual initiative and the frictions of an overgoverned central system. This, precisely, is the dilemma that the growth extremists must face.

We must bear in mind that the free market is not primarily a device to attain growth. It is a device to secure the most efficient use of resources. How much growth results in the process depends upon how much of the output is saved and ploughed back into investment. A free market could function with efficiency and yet show little growth, if the participants chose to consume all its output. A conscious decision is open to us, therefore: How much we want to reinvest in growth. This is a choice that each consumer and each businessman must make. We can supplement those decisions by the political processes of democracy.

The degree to which we can improve upon the performance of the free market by the methods of a free society must not be overrated. Growth in the past has been remarkably stable, leaving out the temporary ups and downs of wars and the business cycle. It has averaged about three per cent since 1909, about 3½ per cent since World War II. A recent study by a congressional committee estimated that in highly favorable conditions, including virtual absence of recess-

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REAL GROWTH

continued

sions but without forced-draft methods, the growth to which we might look forward over the next 15 years could amount to 4.5 per cent. Under much less favorable conditions, including fairly frequent interruptions of growth, we could expect 3.4 per cent.

The list of actions open to us for sustainable growth contains no trick devices. Avoidance of recessions ranks high. The loss of investment during those periods, more than the loss of production, slows down growth over the years. Avoidance of inflation is likewise important. Though in the short run inflation may act as a shot-in-the-arm, in the long run it is bound to disorganize the economy and lead to trouble—perhaps to controls that we want to avoid. Improvement of the tax system would help.

A good-sized budget surplus at times of high activity would aid growth materially. It would tend to reduce consumption while making more resources available for investment. It would allow an easier credit policy without risk of inflation. Freer markets, stimulation of competition, and greater consequent efficiency would help. Opportunities for appropriate action both in the private and public sphere are not lacking. Strong incentives, enlarged educational opportunities, and intensified research are other major aspects of growth. Each of them has played an important role in the past, and remains capable of future contributions. Public expenditures of many kinds are helpful in their time and place. They must, however, remain within the limits of available resources and subject to the conscientious exclusion of special-interest expenditures masquerading as growth oriented. Maintenance of an adequate workweek, finally, and a halt in the present rapid trend toward ever shorter working time deserve a high place on the list of actions directed toward growth. We are not likely to grow faster by working less.

These are the principal actions that a free society can reasonably take to accelerate its economic growth. Should we have to meet national emergency conditions, we should do so with a clear realization that economic performance beyond what these measures will yield is likely to be achieved only at a serious sacrifice of freedom.

—HENRY C. WALLICH

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BLOCK SUCCESS

continued from page 37

from which they built their barrier was the seemingly innocent phrase "added incentive." Its effect came to light only because the son of the firm's executive vice president happened to go to work for the company as a salesman.

When he remarked to his father that the sales department's system of figuring bonuses was so complicated that he could not understand it, the father investigated and found the salesmen didn't either.

The sales manager admitted that the system was complicated, even granted that the salesmen did not seem to understand it fully. This was too bad. But it seemed to be an inevitable result of the "added incentive" policy he and the other sales executives had devised. He described this as a policy designed to keep the salesmen on their toes by regularly adding new incentives.

He and his fellow executives understood the system. And "added incentive," after all, was "added incentive."

So completely had the executive staff of the sales department isolated itself behind this verbal barrier that it was necessary to fire the chief in order to jolt the others back to within sight of the facts. Not until sales began climbing after the bonus system had been simplified were all convinced that the policy of added incentive had failed.

Almost any catchword or frequently used phrase can become a barrier if the members of a small group repeat it to each other often enough. Eventually, the phrase may come to be used in a way that contradicts its first meaning yet still convinces those using it that they are carrying out their original intention.

Dr. Haney found the members of the personnel staff of a department store making a barrier of the phrase "scrupulous fairness." It was their more or less official motto, and it dampened their attempts to find ways to reward excellence and penalize bad performance, by nudging them toward treating all employees as nearly alike as possible.

Whenever you find members of your group frequently repeating any phrase, try to get all concerned to explain what they mean by it. Look for such phrases as:

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(continued on page 86)

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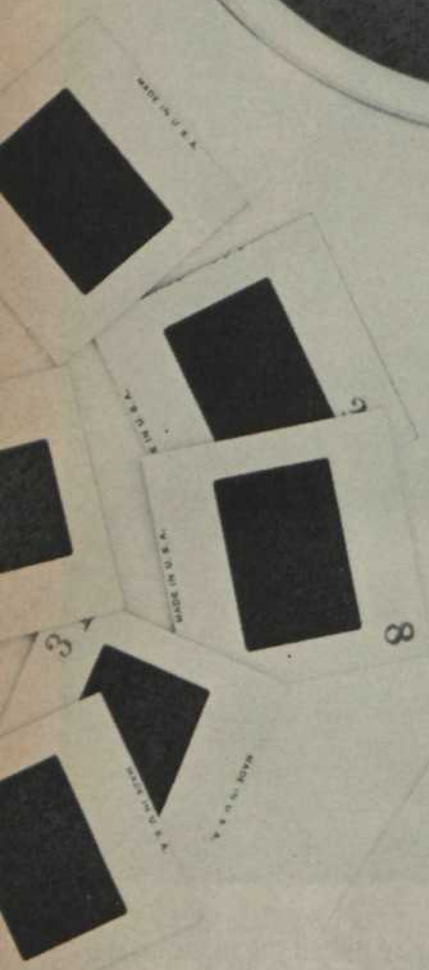
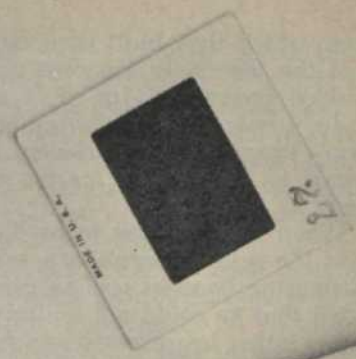
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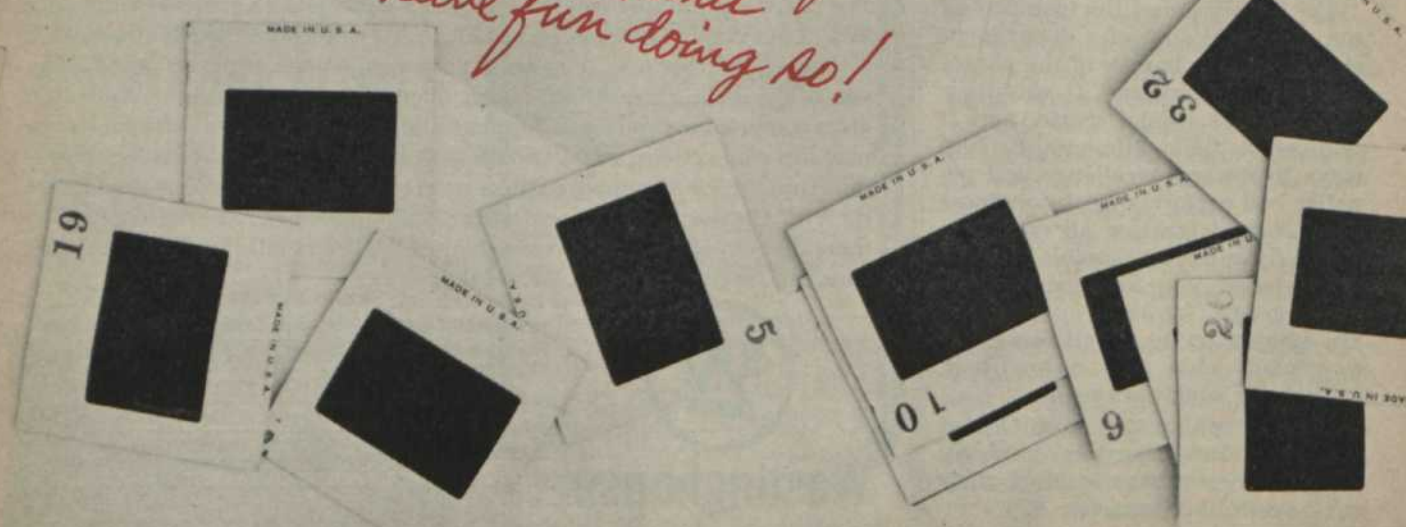
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A FEW COMMENTS

In the short time the slide presentation, "Who Profits from Profits?" has been available, we have received scores of enthusiastic comments about it from people who have seen it or used it. Here are a few samples:

From General Electric Co.,
Roanoke, Va.: "Clear, concise and straightforward. An economics course in itself. It simplifies a difficult topic."

From Appalachian Power Co.,
Bluefield, W. Va.: "A worth-while and very good presentation. We plan to keep on using it."

From New York Laundry,
Jacksonville, Fla.: "'Who Profits from Profits?' is thought-provoking and informative. We liked it very much."

From International Business
Machines Corp., Roanoke, Va.:
"The 'Who Profits from Profits?'
slides are excellent. They are well
received."

From the Hot Springs, Ark.,
Chamber of Commerce: "The
slides are artful and entertaining.
They hold the attention—and
get the story across."

From Dearborn Glass Co.,
Dearborn Mich.: "Excellent."

From Theisen Clemens Co.,
St. Joseph, Mich.: "More
presentations of the same type
will be welcome at any time."

From the Norwich Area, Conn.,
Chamber of Commerce: "'Who
Profits from Profits?' is terrific.
It's one of the best tools ever
devised for explaining the
American profit-and-loss system.
We are making good use of it."

BLOCK SUCCESS

continued

own recognition of the need for making decisions.

Let's get things organized first: This is the formula with which members of small groups block their realization of the fact that they are doing little or nothing.

That's the way we've always done it: This phrase, seemingly designed to block off inquiring outsiders, also works to bar self-questioning.

Accuracy! Accuracy!: This makes an ideal excuse.

Not our kind of guy: This is a fine way to block off someone who might ask questions damaging to the verbal barriers behind which the group feels comfortable.

Barriers common to large groups

Small groups build barriers by evolving unrealistic meanings for terms that may have made good sense in their original usage. Large groups are not hampered by any need to start with a sensible proposition. If a sizable number of people agree that something is so, they can reinforce each other's conviction so that it becomes an almost impregnable barrier between them and the facts.

One such barrier is: "People are fundamentally lazy."

In setting up the new branch office of a brokerage, the manager's primary concern had been to obtain a good stenographic staff. He assembled seven expert stenographers by paying top salaries.

When the office had been operating smoothly for a few months, headquarters informed him of plans to transfer to the branch several functions which would mean a considerable increase in stenographic work. It was at this stage, he later recognized, that the "people are fundamentally lazy" conviction became a barrier in his thinking.

It convinced him that the stenographers would resent the increased work load. He added two more.

One thing and another delayed the transfer of the new functions. Shortly before it finally came about, the two best stenographers resigned to take new jobs. They explained that, since he hired the new girls, there had not been enough work to go around. They were bored.

As proof that this was no isolated instance, Dr. Haney cites a survey made by the University of Illinois' Bureau of Business Management. In this study 2,700 men and women who recently had quit

jobs were asked why they had left. Some 240 of them said they had not had enough work to do.

Another type of verbal barrier is what Charles H. Clark of the Ethyl Corporation calls a "killer phrase." This is a phrase used for the purpose of squelching new ideas. A prime example: "Let's be practical."

Businessmen pride themselves on their practicality, their preference for that which can be applied to useful ends. This makes the phrase an imposing barrier when anyone lowers it between himself and a new idea. Most new ideas, when first proposed, do not readily reveal how they can be applied.

But the verbal barriers common to one large group may have little effect on members of other groups. Psychologists, for instance, would not be impressed by "people are fundamentally lazy," a gathering of artists would hoot at "let's be practical." This is why rubbing minds with men of different callings can be valuable. They can help you become aware of your verbal barriers. If they are lucky, you may be able to do the same for them.

Other verbal barriers effective among large groups:

You can't teach an old dog new tricks: This bromide, which has cost many a business dearly, is based on the false belief that as the brain ages it somehow loses capacity to learn—in reality, ability to learn improves with practice.

It isn't fair that . . .: For instance (until last year), "that the Yankees win all the time"—as if there were something improper about excellence gaining a reward.

You can't fight city hall: This has led many a businessman to submit to bureaucratic oppression when a single loud howl would send the oppressor scurrying.

Don't rock the boat: This may be the most effective barrier ever designed to prevent recognition of flaws in any way of doing things.

That's just the way things are: When the injunction against boat-rocking has been repeated so many times that it begins to sound silly, this makes a good substitute.

Barriers that affect everyone

Occasionally some word or phrase gains power over everyone interested in the matter with which it deals. From the time of Isaac Newton until the early years of this century the phrase "luminiferous ether" was a barrier for physicists. "Luminiferous ether" was supposed to be a medium pervading all space and transmitting light the same

way air transmits sound. Actually, it was a bogus entity. When Albert Einstein destroyed this barrier by showing that there was no reason to suppose that it existed, he cleared the way for many of the greatest advances of modern science.

Sometimes this kind of barrier so obscures grave danger that those endangered do not glimpse their peril until too late.

One such case was that of a wood distillation plant where the metal stills were insulated with limestone. The verbal barrier was the word "limestone." Everyone knows that stone is not combustible. Thus, everyone in the plant from sweeper to owner was astounded when the limestone insulation around one of the stills exploded into flame.

The explanation was a simple chemical reaction which any of the plant's technical staff would have recognized as inevitable but for the verbal barrier. Acetic acid fumes from the wood undergoing distillation converted part of the limestone to calcium acetate. When you heat calcium acetate, it gives off highly inflammable acetone.

The only way you can demolish this type of verbal barrier is with the help of an outsider. Even such a genius as Einstein might never have seen through the "luminiferous ether" barrier had he been educated in the usual way. Instead he was an outsider—largely self-taught.

One technique for getting at such barriers in a research department is occasionally to assign a new man to each team. The idea is that the others will have to explain to him the work already done. If a verbal barrier has shunted them in the wrong direction, the newcomer may pass through that barrier simply because he doesn't know it is there.

In concerns where safety is a ranking problem, a good technique is to have an outsider tour the plant and point out anything that seems dangerous to him. The possibility of the limestone-acetic acid reaction for instance, might have occurred to a bright college chemistry student.

The important thing is to encourage outsiders to do their wondering out loud and to give it close attention. You may suddenly find yourself looking straight through what always had seemed like a blank wall.—ROBERT FROMAN

REPRINTS of "Words Can Block Success" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from Nation's Business, 1615 H St. N. W., Washington 6, D. C. Please enclose remittance.

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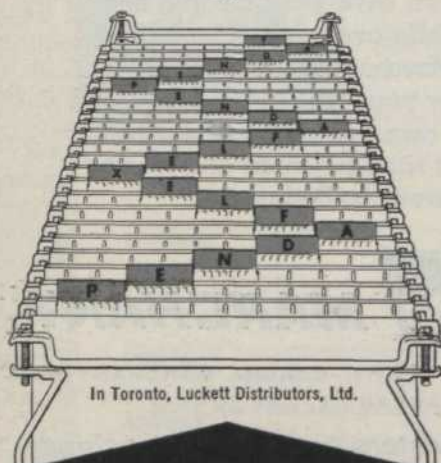
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Executive Trends

Executive job market a question mark

Jobseekers and companies alike are keeping a keen eye on the barometers of job openings because of a recent softening in the demand for managers.

Heidrick & Struggles, Inc., Chicago recruiting firm which compiles a running index on openings in the upper and middle management ranks, reports the market dipped sharply in the second quarter of this year, apparently as a result of less-than-capacity operation in many industries.

"A growing awareness of uncertainty ahead apparently started a delay in executive hiring early in the second quarter," says Gardner W. Heidrick, cofounder of the firm. "The situation leveled off in May and June and has continued at that pace since." The market is expected to continue at a leveled rate into the fall.

► While the total number of openings was down from the 1959 second-quarter figures, there were increases in four areas—financial (37 per cent); personnel (21 per cent); manufacturing (16 per cent) and general engineering (nine per cent). Decreases came in defense engineering, general administration, and marketing. H & S says that executive demand, though down, still continues at a high level with particular emphasis being put behind searches for engineering and scientific executives "capable of filling the requirements of industry's broadening research and development programs."

Memo from a vacationing executive

Vacation time can be an unusually constructive period for the executive who makes maximum use of the benefits it offers. It presents unique opportunities, too, for those who remain behind.

That's demonstrated by the following memorandum written by a manufacturing company president to his staff. Comfortably relaxed in a New England resort, the executive wrote:

"Dear Staff: Up here, away from the turmoil, I find those business problems seem less crushing. Distance lends perspective. I don't mean that our company doesn't have serious problems, but sometimes we permit ourselves to be consumed by them. It pays to back off at least once a year and see how our daily problems fit into our major aims for the long run.

► "Let me give you a few tips from a presently unharried boss. Don't blow up. Don't try to outshine your associates. Outshine our competitors. Make sure the time you invest solving a problem is worth it. Be sure your efforts are trained on our long-range goals, and not up side alleys. Try to find relaxation in your work, but at the same time fight off the temptation to

be complacent . . . This is a great place. Plenty of fishing, but fortunately I haven't caught any. I'm working hard at doing nothing—and once a year that's a pretty good prescription for anyone. Regards, J. L."

What words describe you?

Using words that describe occupations, two Michigan State University psychologists set out to test the images which different types of executives have in the minds of a selected group of people—other psychologists, students, and professional counselors.

They found accountants most often described as "careful, methodical, economical, practical, patient, reserved, steadfast."

Advertising men were most often characterized as "social, self-confident, initiating, active, optimistic, experimenting, witty, responsive, purposeful."

The catch is that the psychologists cannot say for sure whether these words describe stereotypes or represent qualities readily apparent to most people. Both factors may be involved, according to Dr. Norman Abeles and James F. Morse.

► The important points, the psychologists say, are that the study shows people hold common images of persons with certain jobs and that these images support the theory that a person's character depends on his view of how he needs to gain things and how he thinks and acts toward others.

Consultant defines essential business goals

Management consultant Richard M. Paget recently pinpointed five areas in which each business has to set objectives, obtain satisfactory standards of performance and achieve results "if it is to survive."

First of the five is this: A business requires a human organization, capable of joint performance and of self-perpetuation. Mr. Paget says the furtherance of this initial basic objective is the most logical reason for having management development programs.

Second, "A business must be conducted within the framework of the opportunities and restrictions of the social, economic and political climate existing now and in the future." Here Mr. Paget stresses the need to be able to live with and adjust to such factors as changes in spendable income and population.

► Third, Mr. Paget explains, is the absolute necessity that business justify its existence through economic performance. Fourth, a business must be able to innovate or create change. And, finally, a business enterprise must obtain adequate profits to meet the costs of the necessary risks which it generates.

What causes employee frustration

Employees who exhibit the greatest frustration with their promotion possibilities have the least information about their companies.

This is indicated by research conducted by the University of Michigan Survey Research Center.

Based on questionnaires given to more than 2,000 employees of an electronics manufacturing company, the survey results show those workers who were well satisfied with their chances for advancement had only a medium, or small, amount of frustration. In the company studied, moderate frustration in getting promotions was accompanied by better understanding of company attitudes toward job stability, new product development, and other factors.

► The researchers point out, however, that some types of frustration may not have the same effect. If frustration concerns higher wages rather than promotions, for example, it may result in a strike.

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WHERE TAX DOLLARS ARE GOING

Welfare-state programs are zooming
while defense costs remain level

WELFARE GOVERNMENT is on the upswing.

The future, based on this season's campaign promises, holds the prospect of vigorous and costly expansion of federal spending programs.

The fact is that national defense no longer can be blamed for the continuing rise in the price of federal government.

- The cost of major national defense today is actually lower than it was in 1954 after expenditures had plunged \$3.5 billion from the 1953 Korean war peak.

- Nondefense spending, however, has doubled.

This comparison shows how welfare programs are booming:

- For every \$1 spent for defense in 1954, Uncle Sam spent 53 cents for nondefense items.

- Now, for each \$1 spent for de-

fense, Uncle Sam is spending \$1.10 for nondefense programs.

For the year ahead, defense spending is expected to remain approximately level while welfare-state programs will touch new peaks.

In the welfare category alone, federal spending has doubled during President Eisenhower's second term in office. Cash outlay for labor and welfare in 1948 was \$3.2 billion. Now estimates for fiscal 1961 ending next June 30 approach \$20.3 billion. That's double the outlay of 1956 and is 140 per cent higher than 1954, the first year after Korea.

Labor and welfare represented 12 per cent of all federal spending in 1954. For the year ahead it will represent 21 per cent. Public attention is focused on what's called the "administrative budget." This is the federal finance you hear most about. The difference between receipts and expenditures results in a

budget deficit (\$12.4 billion in fiscal 1959) or a budget surplus (\$1.1 billion in 1960).

Budgeted for fiscal 1961 are programs that will cost an estimated \$81.5 billion. Collections, balanced against this outlay, may total about \$82.5 billion.

This would mean an administrative budget surplus of about \$1 billion. This would be a considerable adjustment downward from the \$4.2 billion surplus estimated last January when President Eisenhower sent his budget proposals to Congress. Estimates of a surplus, however, have been lowered because of extra appropriations which Congress made (such as overriding the President's veto with a \$750 million election-year pay boost for federal employes) and because estimates of tax revenue from profits now appear to have been too optimistic.

How spending eventually ends up,

Federal spending heads for new peak.

Public attention focuses on adminis-

trative budget. But total spending—

all programs combined—will cost tax-

payers more than **\$96** billion in 1961

Total spending, including programs

outside the administrative budget,

will run more than **\$24** billion higher
than 1954, first year after major national
defense plunged from Korean war peak

however, will depend on many actions to be taken in the months ahead.

A large portion of government spending and taxation is outside the administrative budget.

For example, total federal receipts are expected to exceed \$102 billion.

Payments to the public are expected to go above \$96 billion.

What Uncle Sam does with these tax dollars reveals the expansive nature of welfare-state programs.

Major national defense for the year ahead is expected to cost \$45.9 billion, 2½ per cent lower than in 1954. All other federal programs will cost the taxpayers an estimated \$50.4 billion.

Here's where nondefense tax dollars are expected to go during fiscal 1961:

Foreign aid—\$2.2 billion, an increase of 37 per cent since 1954.

Veterans' services and benefits—\$6.1 billion, up 23 per cent.

Labor and welfare—\$20.3 billion, up 140 per cent.

Agriculture—\$5.5 billion, up 110 per cent.

Commerce and housing—\$5.6 billion, up 2,441 per cent (note: 1954 was far below the yearly average; the increase for this category since 1955 has been 284 per cent).

General government—\$2.3 billion, up 56 per cent.

Interest on debt—\$8 billion, up 72 per cent.

These items, because of rounding, won't add to the outlay total. Other allowances, to reach the specific total, are made for contingencies and for such things as deductions from federal employees' salaries for retirement, a planned decrease in the clearing account for outstanding checks, and so on.

Politicians who are eager to boost

government spending even higher cite the growth of U. S. population. The premise is that this means federal spending "should be increased to take care of the expanding population."

The truth is, however, that welfare spending increases are already far outstripping population growth. While population since 1954 has gone up 11 per cent, Uncle Sam's nonmilitary spending has gone up more than 100 per cent.

Today's tax rates on personal income are roughly as high as they were during World War II. On corporations the basic tax rate has not been reduced since the Korean war. The same is true of many high excise taxes.

Although we are no longer at war, federal taxation today is geared to wartime needs, with wartime taxes being used to finance a rapid expansion of welfare-state programs.—END

Taxpayer costs for major national defense will run about **\$45.9** billion during 1961. That's **\$1.2** billion lower than 1954. But nondefense programs will cost billions more

Spending for 1961 includes

\$20.3 billion for labor and welfare
..... **UP \$11.8** billion since '54

\$ 6.1 billion for veterans benefits
..... **UP \$1.2** billion since '54

\$ 5.5 billion for farm programs
..... **UP \$2.9** billion since '54

HOW TO STAY ON TOP OF YOUR JOB

Here are some practical ways to attain better organization of your daily work

EVERY EXECUTIVE, no matter what his rank, must organize his job to function efficiently.

Here are six practical steps that will help you do that:

- ▶ Analyze your own job performance the way you would someone else's.
- ▶ Do more jobs solo style.
- ▶ Cut down on routine tasks.
- ▶ Look ahead in time stages.
- ▶ Subdivide your working day.
- ▶ Keep job priorities flexible.

1. Analyze your performance

We are usually able to criticize another's work more precisely than our own. Our lack of personal involvement lifts the lid off our critical faculties. Clearly, there is a different perspective.

To test this hypothesis, think about any one of your associates. Ask yourself how he is doing. Notice how easy it is to answer these questions:

Can he be relied upon to do what he says he will do?

Does he meet deadlines?

Does he check facts carefully?

Does he make his own decisions?

Does he make good use of his time?

When someone else doesn't meet deadlines, doesn't complete projects, doesn't make decisions, it is natural to conclude that the job is too big for him.

But how many times do we apply these questions to ourselves? When we do, isn't there a tendency to tilt the answers in our own favor?

Yet as hard as it is to be objective about ourselves, an honest self-appraisal will almost always reveal areas where we can begin to improve our performance.

We may find, for example, that in recent months we have been postponing decisions. The self-examination is likely to result in a renewed determination to complete unfinished business. A concentrated period of facing up to and making tough decisions puts us back in control.

It is also a good idea to take a new look at the job

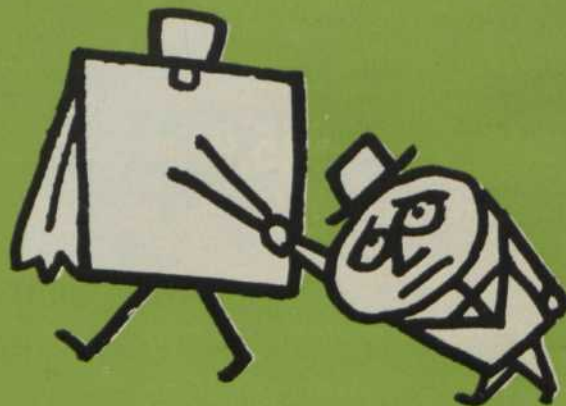
itself. Typically, the only time an executive thoroughly analyzes his job is when he begins it. Shortly after that he becomes so wrapped up in his work that changing patterns in the job may develop unnoticed.

Yet, as one experienced executive points out, "Changes take place continuously. In most instances, however, they are so gradual that they are barely felt."

The ambitious, driving executive invariably takes on new projects. This may stretch the original boundaries of his job and lead to a traffic jam for even the most energetic. No matter how well organized he is, something's got to give.

An efficient manager will take proper steps to relieve himself of a project or responsibility to which he knows he cannot devote full attention.

If your analysis of your own job indicates that you have stretched it beyond its original scope—and in the process have spread yourself too thin—follow the advice you would give an associate: Pass one or more



Job is winning

of the extras on to others and concentrate on your most important objectives.

You will find that a critical review of your job and your performance will quickly lead to a revival of your best work habits. The pressures that you feel when a job starts to get too big will begin to disappear.

2. Do more jobs alone

An executive in an insurance firm is known as "Call-a-meeting Charlie." He earned this nickname because his first step in solving every problem is to form a committee and then to convene it a half dozen times.

There is nothing inherently wrong with committees. But something is wrong when an executive can't solve a few major problems almost completely on his own.

These are some of the time-consuming aspects of doing-by-committee:

1. It takes time to prepare for the meetings.
2. It takes time to hold the meetings.
3. It takes time to keep the committee informed of progress after the meetings.
4. It takes time to write committee reports.

Obviously, not all committees can be eliminated. But they should not be formed at the drop of a hat. It is also well to remember that it is easier to eliminate committees before, rather than after, they are created.

The president of a large corporation recently asked his principal aides to cut down on committee meetings. His request spawned a number of do-it-yourself jokes. But committee activity decreased with no noticeable loss in productivity or good ideas. A number of key men reported that they thoroughly enjoyed working out problems without endless consultations with others.

More men would be on top of their jobs if they depended less on the organization and more on themselves.

3. Cut down on routine

The chief executives of large and successful businesses are rarely occupied with routine. The reason: They won't allow themselves to be.

Obsession with routine is particularly easy to spot in medium-sized but growing businesses. Such a business is growing faster than the willingness of key executives to delegate routine tasks.

One of the senior officers of a rapidly expanding retail chain resisted suggestions that he give up a function he had held since the company's beginning—interviewing prospective store clerks. He insisted upon conducting such interviews even though a personnel specialist had been hired to do this.

Such stubbornness is not uncommon. A key executive may be giving more time to routine book-keeping operations than to over-all financial policies; an executive vice president may insist on going over the minute details in each division instead of concentrating on the coordination of divisions.

Addiction to routine also occurs frequently in the communications area.

The sales manager of a growing company was reluctant to follow the recommendations of a manage-



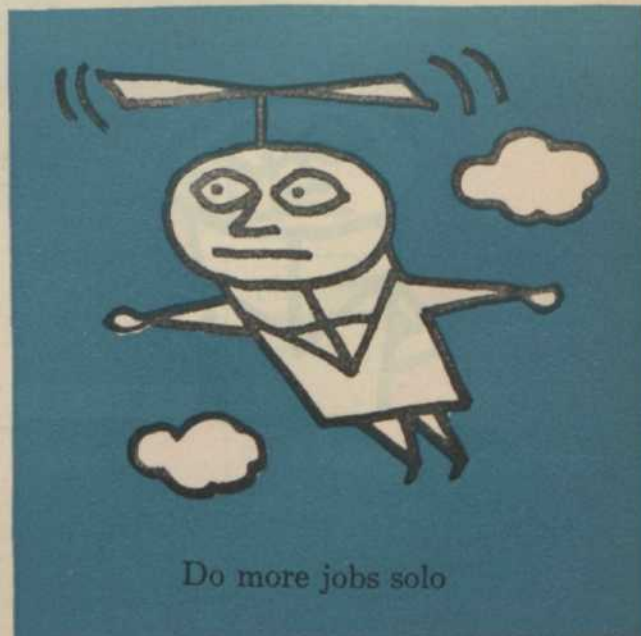
ment consultant that he use more form letters in routine situations. He felt that tailor-made letters were likely to get better results.

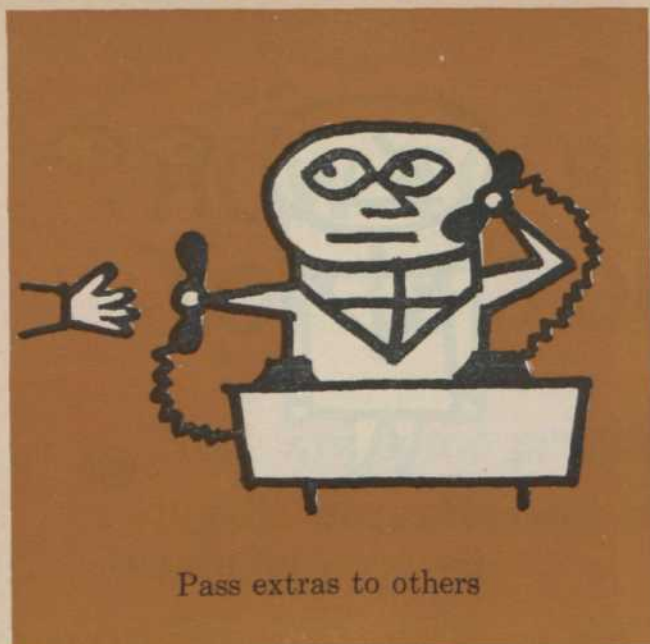
In general, no argument there. But, as the consultant pointed out, letter-writing talents can be put to better use in nonroutine situations. Why dissipate the talent and time on routine?

Furthermore, there is no law against creating effective form letters. A comparison of one corporation's form letters covering a routine situation with another company's specially dictated letters covering a similar situation may reveal that the form letters are superior.

For that matter, we have already written some of the best letters we will ever write.

Drawing on a stockpile of good letters, sentences





Pass extras to others

and paragraphs is certainly as efficient as thinking up new ones. A top executive's time is literally big money. When he cuts down on routine, the company gets its money's worth.

4. Look ahead in time stages

"Plan ahead" is an excellent maxim, as far as it goes. But it becomes more useful when it becomes more concrete.

Notice how much more manageable it seems when it is looked at in terms of:

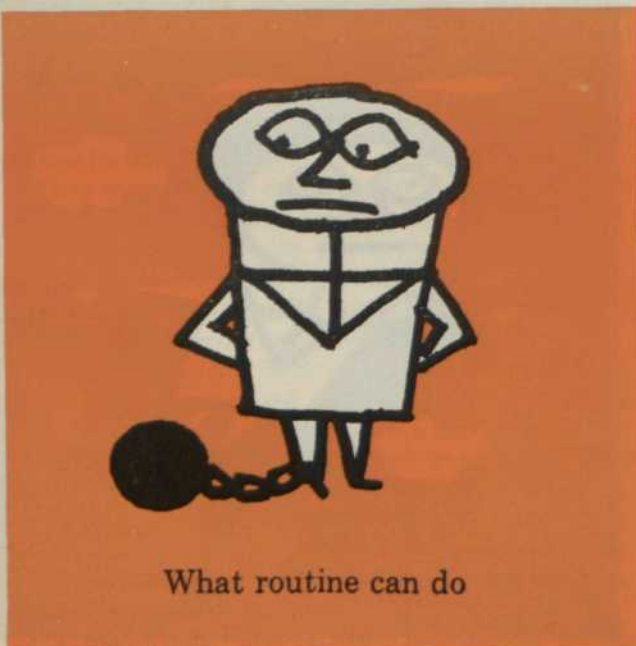
Tomorrow.

Next week.

Next month.

Next year.

A top management man in a manufacturing com-



What routine can do

pany said of one of his subordinates: "He treats every problem as though it had to be solved tomorrow. It isn't a surprise to me that he is bewildered by his job. If he would separate the long-range problems from the immediate ones, he would do better with both types."

In planning ahead, it is usually best to start by looking pretty far into the future. What do you hope to accomplish during the coming year? This approach will necessitate your determining not only programs but objectives. You will have to separate those things which have to be done from those which might be desirable but need not be done.

Such an analysis also enables you to distinguish the almost-certain from the probable, the probable from the possible, and the possible from the almost-impossible.

After you have taken a year's look ahead, it is feasible to come down the time-steps to one month, then to one week, and then to tomorrow.

Tomorrow is always a decisive day. It is one of the most useful future days because its outlines can be seen so clearly.

Not everyone plans his tomorrows in the same way. One executive uses the last 15 minutes of each working day to think through the following day. He has found that little else he might do in that time would be nearly as productive. The next morning his actions are precise. There is no wasted motion. In the first half hour of each day, he does a great deal more than when he formerly began the morning with, "Now what do I do first?"

The secret of planning ahead is to divide the future so you can see it more clearly and then figure out how much you can put into each part of it.

5. Subdivide your working day

The head of a construction firm was carrying a brief case full of work home every night. This is a rather typical grievance of the corporate president. It is also one of the first signs that there is a contest between man and job, and job is winning.

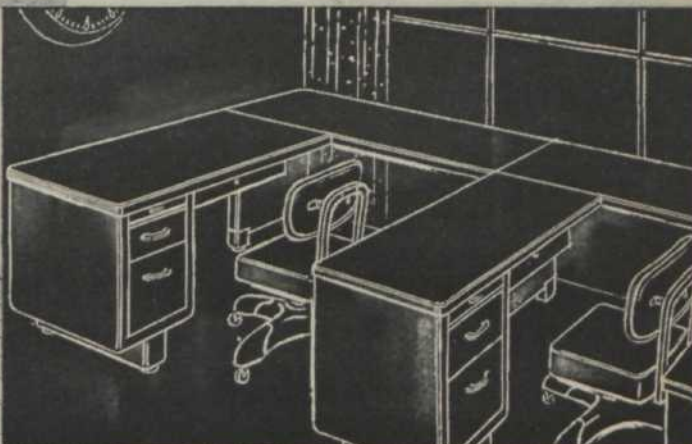
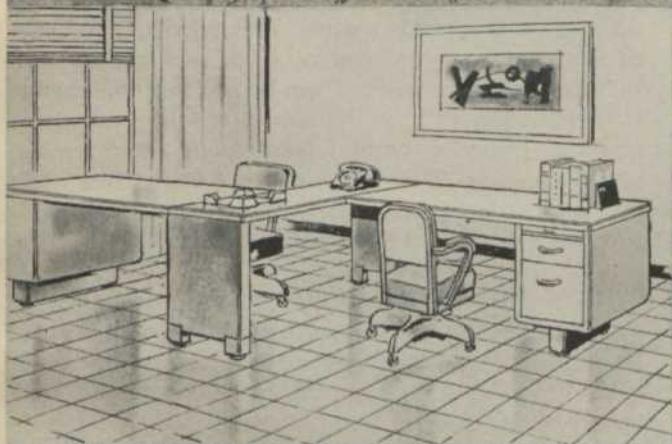
Why does this happen?

For one reason, an executive's day is too often swallowed by his appointment calendar. From early morning—often beginning with a breakfast meeting—until well after six o'clock, each day gets filled with appointments.

A typical day includes an endless stream of visitors. An executive can achieve the same result by scheduling a nonstop stream of visits for himself to the offices of others.

Soon it becomes necessary to sandwich all other work between appointments. Since a conscientious executive won't be satisfied with sandwiched-in work, he carries his job home with him. At home, he works without interruption, but during a period when a few leisure hours might equip him to do a better job next day.

The head of a book publishing concern, faced with this problem, decided to limit his appointments to



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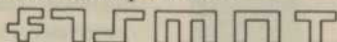
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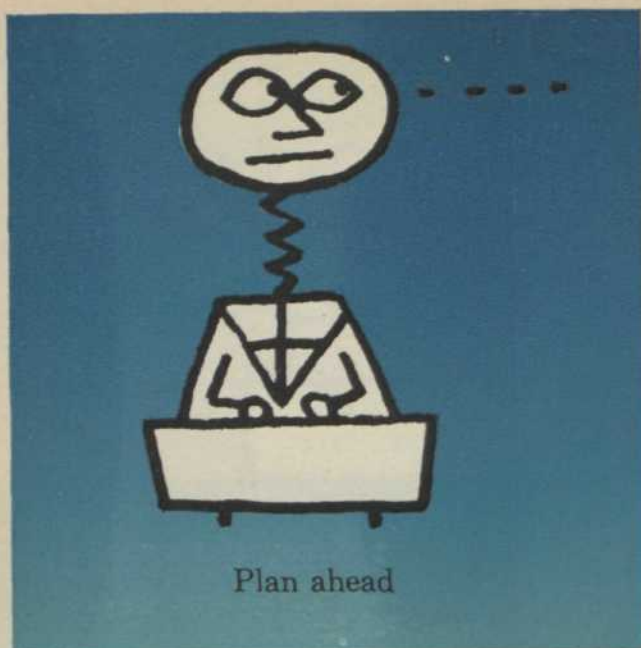
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Plan ahead

afternoons. He vowed not to violate this policy except in exceptional circumstances. Soon he discovered three new hours every day that had previously been invisible—the hours from nine o'clock to noon. By using those hours for dictating letters, essential reading, planning and creating, he was able to restore his work to the place it belonged—his office. Moreover, he found it possible to see just as many people as under the old schedule. He concentrated more on each appointment because the worrisome paperwork had already been completed.

Getting your appointments under control is a good starting point. But there are other logical ways to subdivide the day.

Almost every businessman spends his working day in four ways: talking in person to other people,

writing or dictating, reading, and telephoning. If his job is beginning to seem bigger, it is probably because one or more of these activities is getting out of hand. Yet none can be eliminated.

Two experiments are worth trying. First, the executive can cut down on the time he spends in one of these areas. He may find that he spends more time proportionately handling problems by phone than by writing, or vice versa. In that event, he can decide to use his more efficient technique more often.

A second course is to block out pieces of the day for similar activities. For example, make a group of phone calls during a specific part of the day. Then set aside a period for writing. It is particularly beneficial to set aside an hour or so to read reports and publications. This method can be a refreshing change from the hop, skip, and jump day where dictating, phoning, interviewing and reading are intermingled.

Obviously, a rigid formula won't work. But without going to extremes, it is possible to subdivide your working day to your advantage.

6. Keep the priorities flexible

In business, those things that are most important today may be least important tomorrow. An executive who wants to stay on top of his job should keep an eye on the ever shifting priorities.

Many executives give lip service to the slogan, "first things first." But in practice they may be giving too much time to a matter that was of top importance a month ago but is almost inconsequential now.

The executive vice president of a manufacturing company tests his own set of priorities this way. At a monthly staff meeting he invites his principal subordinates to give their estimates of the most important problems the company faces. Their answers reflect the priorities situation in their own departments. The vice president then weighs their opinions against his own.

This accomplishes two things. First, he spots projects that are being overrated and can take steps to place them where they belong on the priority scale. He also locates projects that are being delayed because they have been mistakenly put at the bottom of the priorities list.

Ironically, many a hard-working executive gets buried under his job by working hard, but on the wrong things. To determine what is most important at any given time is one of a manager's toughest challenges. An executive who continuously meets this priority challenge is almost certainly going to be on top of his job.

When you feel the sense of satisfaction and confidence that comes with knowing you are on top of your present job, the odds are that you are ready for a bigger one.—HOWARD R. DRESSNER



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BOOMING MARKET

continued from page 35

is expected to see a 70 per cent rise in consumer spending in the decade ahead.

In some countries, such as the Common Market countries, consumer spending may well double in 10 years. There will be roughly corresponding gains in Europe's consumption of industrial materials and its purchases of capital goods.

Demands for many products will rise much faster than European industry's ability to meet them. Hence, there will be broad opportunities for American business to supply Europe's factories, to equip its producers, and to help satisfy demands of its consumers.

A great many companies will find it profitable to adapt their products and their production potential to overseas needs and desires. It is worth while for any company—regardless of size or location—to consider what foreign buyers want and need.

It seems safe to predict that, for the next several years at least, American exports have an opportunity to expand faster than our total national economy. Companies are already finding that, with some small changes, their products are adaptable to foreign needs. A small Cleveland company, for example, makes industrial lubricants. It was producing a cutting oil for hard metals and exporting it in 55-gallon barrels. But volume was dropping off. So the firm found a way to concentrate this oil and now has begun shipping it in much smaller bottles. Volume is shooting up.

Does the increase in foreign trade brighten the outlook for the balance of payments?

The deficit this year is headed down, and is expected to be about \$2.5 billion. This represents an improvement over the past two years when our balance of payments deficit averaged about \$3.5 billion.

Further improvement is needed—and is expected.

A deficit in the balance of payments is the excess of our payments to foreign countries for goods, services, travel, foreign aid and investment over our receipts from foreign countries for merchandise, services, and income on our investments abroad.

A deficit, of course, is reflected in a deterioration of our international reserve position that we cannot long endure. We must reduce the deficit

in order to check both gold outflow currently and the growth of our short-term indebtedness to foreigners, which could lead to future gold outflow.

How can we do that?

In large part by boosting exports.

A deficit reduction—if we can achieve it—will not come automatically. Through positive action we can sell more abroad. The upsurge in exports so far this year, coupled with the plateau in imports since mid-1959, has brought improvement. But such a deficit is still unduly large for any extended period. Our gold stock now totals about \$19 billion. Foreign dollar holdings, against which gold can be drawn from our gold reserves, is roughly the same amount. But our gold stock exceeds our legal domestic reserve requirement by only \$7 billion. We have about \$3.5 billion less gold than we had in 1957.

Thus, to reduce our balance of payments deficit to a level that would be sustainable in the long run, we need to have more exports now, over and above the improvement of recent months.

Two factors are involved here:

1. It's in the national interest to increase exports as much as we can to reduce the balance of payments deficit.

2. Because of good economic conditions abroad, demand for American goods is increasing. It's in the interest of individual companies to increase the volume of business they do, thereby increasing profit potential, by getting into an area of business activity where broad new opportunities exist.

Increasing our export sales is one way to make our economy grow faster.

But, wholly aside from either growth or the deficit problem—both of which, essentially, involve national policy—is the indisputable fact that American goods are wanted overseas.

The concept of widespread anti-Americanism is a gross exaggeration, generated by extraordinary, specific, local situations. The communists promote this idea, make all the propaganda they can from it.

But it simply isn't true—not on the whole. Wherever I've gone in the world I've been deeply impressed with the affection which the people of other nations have for Americans. They like us and they want to buy from us.

This means that we are moving into a new era when the sales potential for U. S. goods will expand

greatly. It's up to American businessmen to take advantage of this desire for American goods.

Would you say that competition abroad is increasing?

Yes, at least for manufactured goods. Western Germany's and Japan's market shares have increased substantially in various regions. Meanwhile, our over-all share of exports for manufactured goods has declined somewhat. Our share declines have been rather sizable in Asia and Africa.

In other words, we are feeling the effects of competition, particularly from West Germany and Japan.

Are U. S. products being priced out of the market?

I know of no studies that lead to any broad conclusion that U. S. products are typically losing out in foreign markets because it is impossible to compete with low-priced foreign products.

Studies made recently in the Bureau of Foreign Commerce show that the decline in over-all U. S. percentage shares in regional export markets for manufactured goods is confined largely to a comparatively few classes of goods. The most notable of these are automobiles and steel. U. S. market shares for many important classes of goods have been fairly well maintained, on the average, and some classes of products have increased their share of the market in certain regions.

These findings hardly support a supposition that U. S. goods have been priced out of their export markets over a broad range of product types.

After all, we still export more than any other country.

Let us remember that, as a nation, we cannot expect every one of our products, or even of our industries, to be able to compete successfully abroad. Moreover, we have to expect that the international competitive balance for particular industries and products will shift from time to time.

What are the principal roadblocks to improving the U. S. competitive position abroad?

An important factor in foreign markets is the high tariffs many countries maintain on many imports competitive with internal production.

A factor of growing importance which will hamper some U. S. goods is increasing tariff preference for internally produced goods in the European Economic Community and

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BOOMING MARKET

continued

in the European Free Trade Association.

Still another is foreign quota restrictions which discriminate against U. S. goods, although these have been extensively eliminated in the past year or two.

High purchase or use taxes also have a discriminatory effect against certain U. S. products. An example is automobiles. Were it not for these taxes, we could surely increase our auto exports.

Besides these handicaps imposed on many U. S. products by foreign governments, I see a number of roadblocks of a business nature.

The Department of Commerce recently sent some teams of experts to various overseas areas to find out what could be done to expand exports. Some of them made startling discoveries.

For example, some of the foreign buyers complain that they can't get information from American suppliers. One had written for technical information and had received no reply after three months. An order for merchandise was never acknowledged. One buyer in Australia wanted 4,000 dozen towels but he had to have them in assorted colors. The U. S. firm, which packages only solid colors, turned the order down.

Some overseas buyers complain that they seldom see a salesman. They can't get promotional literature, sometimes can't even get a catalog.

The companies which do business in this manner are creating some of their own roadblocks.

Another roadblock is the lack of information concerning consumer potential in certain regions. For example, how many refrigerators could Iraq buy? Nigeria becomes independent in October. Hardly anything has been done to assess the consumer potential there. Some areas have no information available except for what the U. S. Foreign Service has been able to put together.

How can businessmen best deal with these roadblocks?

The business-type roadblocks, I think, are not formidable. There is plenty of trade opportunity. Firms contemplating entering the export business should first arrive at a company policy position regarding intentions and how to accomplish goals. For example, the company needs policy on prices, adaptation

of product, packaging, credit practices, market analysis, and accounting methods that will place export departments in the same relation to company overhead as the domestic sales departments.

Efforts are being made to overcome the roadblock of lack of information. Trade associations and other business organizations can help. Such groups can select leads for trade opportunities and see that member companies are kept fully informed. The government can and will do more to provide information about market potential in various regions.

Any businessman interested in knowing more about trade opportunities can get help by going to one of the Commerce Department's field offices. We have people there to talk about problems, and if they don't have answers the office in Washington will try to provide them.

There are some booklets, too, which might help. The Commerce Department has "Guides for the Newcomer to World Trade," "Channels for Trading Abroad," "Sources of Information on Foreign Trade Practice," and others, including the "Foreign Commerce Weekly," which provides timely information.

The Chamber of Commerce of the United States also has helpful books available: "Foreign Commerce Handbook—Basic Information and a Guide to Sources," and "An Introduction to Doing Import and Export Business." [These books are available for \$2 each from the Foreign Commerce Department, U. S. Chamber of Commerce, Washington 6, D. C.]

How do you assess the total impact of foreign trade on American business?

First, foreign trade provides employment for about 4.5 million American workers, or about seven per cent of our total labor force.

Second, the capacity of foreign markets to absorb expanding amounts of our goods helps to accelerate the development of some of our more efficient industries. This, in turn, raises the productivity of the entire economy and contributes to our economic growth.

For many products, the portion of U. S. output sold abroad runs extremely high. For instance, in 1959 it was 18 per cent for trucks and 41 per cent for track-laying tractors. To these industries exports are obviously vital.

Even for many industries whose exports are smaller percentages of total sales, significant shares of



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profits and jobs stem from exports. Imports are equally important to raising levels of our national output and consumption. Directly or indirectly, imported goods are in daily use in virtually every American factory, office, and household. American industry relies on foreign sources for many types of raw materials.

For many commodities, including some crude and processed foods, we must rely on foreign sources exclusively.

Imports of manufactured goods increase the range of products available here. Moreover, although competitive imports create problems for U. S. producers of similar goods, the U. S. economy as a whole benefits in wide areas from reductions in costs or improvements in design which imports have stimulated U. S. producers to achieve.

The resulting increases in efficiency reflect the power of competition to create better products at lower costs. This influence is a salient feature of our free enterprise economy.

Finally, the American business community has a vital stake in the over-all national economic gains from foreign trade. These center essentially in the imports for which our exports are exchanged.

The immediate monetary earnings from export sales are vitally important to workers, managers, and owners of the individual firm receiving them.

More fundamentally, however, imports provide an efficient means of obtaining a good many types of products. These include items not produced domestically or producible only at higher total costs, in terms of human, capital and natural resources, than the costs of the exports exchanged for them.

International exchange enables our businessmen to minimize their costs. Also it gives them access to the most fruitful opportunities, whether within or outside our geographical boundaries.

It enables them to offer the fullest selections and the most favorable prices in the various markets to which they cater.

What is the outlook for imports?

I look for only a small increase this year, following the \$2.4 billion rise from 1958 to 1959. We'll probably see a slackening rise in our imports of industrial materials.

The uptrend in imports of advanced manufactures may be dampened somewhat this year by increased effectiveness of competition

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"Education should be the concern of every thoughtful businessman, whatever his line of business might be. All of us share the responsibility of safeguarding and insuring the health of our economy, you'll agree. All of us are affected, directly or indirectly.

"Many far-sighted businessmen are already at work on projects sparked by their local Chamber of Commerce, holding regional conferences with leaders in the education field, estimating future technical manpower requirements, working on programs to encourage more young people to prepare for careers as skilled technicians, planning Business-Education days. Looking ahead.

"These men are working for the good of business and the community. You should be doing the same; that's why I am urging you to join and support your local Chamber of Commerce today. You will find it a most rewarding experience."



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BOOMING MARKET

continued

by U. S. producers, particularly of automobiles.

Over the next few years, imports probably will rise at about the same rate as our total domestic output of goods and services, or perhaps at a slightly higher rate. Exports, however, are likely to rise faster. We hope so. As a nation, we certainly need to have these hopes borne out fully.

To what extent are foreign businessmen buying into U. S. firms?

The Office of Business Economics is currently conducting the first postwar survey of U. S. business enterprises under foreign ownership.

What findings do you expect?

Only a few examples have come to light. One is the purchase by Olivetti of a large block of stock in the Underwood Typewriter Company. Another, more recently, is the purchase of the New Home Sewing Machine Company by the Japanese Janome Sewing Machine Co., Ltd.

There is a theoretical risk that, if a foreign stockholder were able to control the policies of an American firm, some of its facilities might be diverted into distribution of foreign products and it might cease to fulfill its function as a dynamic competitor.

However, we have antitrust legislation to protect us against extreme effects of interlocking control and we can hardly expect our private investments abroad to receive the most favorable treatment unless we take a constructive attitude toward foreign investments here.

Our hope is that the survey of U. S. business enterprises under foreign ownership will yield data showing the extent to which foreign investment has increased. We hope to find the current rate of expansion of such investment. This survey is a counterpart of the study of U. S. foreign investment abroad. It will be some time before findings are available.

How much investment have U. S. businessmen abroad?

At the end of 1958 U. S. private investment abroad amounted to \$41 billion, and it is estimated to be more than \$43 billion now.

About 35 per cent is in Canada, 27 per cent in Latin America, 19 per cent in Western Europe, and the remainder scattered throughout the world.

END

POLITICIANS

continued from page 33

if the candidates definition of reform corresponds to his own.

National needs

Some of the candidates' most florid promises will involve their readiness to act on national needs. A national need is usually described as something that the people want done but are unable to do for themselves. The listener's first reaction may reasonably be to decide whether the need is actually national or merely nationwide. The Constitution gave the central government certain specific authority for handling national problems. Other powers were left to the states.

Defense is obviously a national need. Such problems as juvenile delinquency, city traffic congestion, slum clearance are possibly nationwide but are national only by a stretch of federal authority.

Beware of the politician who charges that his opponent is against a worthy or appealing program. The opponent may only be against the means for attaining the goal. A candidate opposed to federal aid to control water pollution is not necessarily for polluted streams. He may reasonably believe that control should be a local, not federal, responsibility.

A man may oppose a \$100-a-month pension for World War I veterans because he fears inflation rather than because he hates heroes.

The careful listener will also consider whether the need for which the cure is proposed actually exists and whether the proposed cure is a remedy.

Overcrowded schools, decline of the family farm, the housing shortage, care of the aged are among the problems most frequently listed.

The fact is no national school emergency now exists. Some areas may need new schools. But local authorities are building them. The fast expansion of school building during the 1950's has been meeting the once drastic need for facilities. Population projections show that by the end of the 1960's enrollment increases will taper off to half the amount during the 1950's. Teaching staffs have increased more than 50 per cent and teachers' salaries have doubled since the second world war.

Various agricultural programs that have been established are in the main helping the affluent farmer, not the family farm. Price supports

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aid the farmer with large production. The family farmer, on the other hand, raises children and some vegetables. He has little to sell compared with the big farmer. In fact, he probably is worse off now because it costs the family farmer more for the things he has to buy because price supports have helped raise other prices.

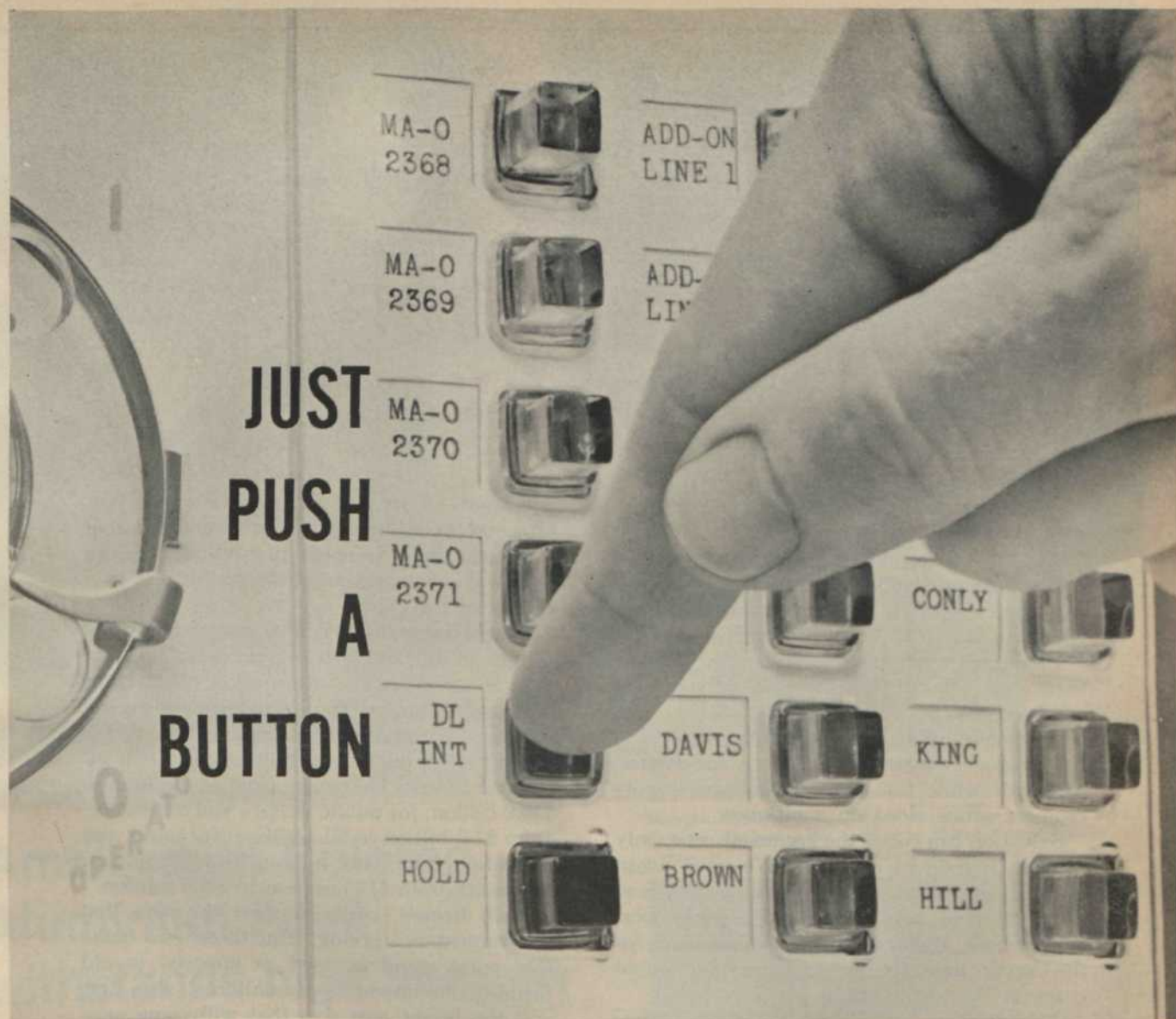
The housing shortage is a political cliché that is now obsolete. In the 1940's six to eight per cent of the married couples were sharing residences with others. But the so-called doubling-up rate is now down to 2.4 per cent, the lowest in a generation. About 1.4 million housing starts have been made per year during the past decade, so that there is no housing shortage any more.

Medical insurance for older citizens is the latest of benefits seized on as effective campaign fodder. Already, in a generation, the federal government has established a \$15 billion complex of programs to help the aged either through benefits or tax privileges.

As far as medical care is concerned, advocates of compulsory, socialized health care seem to ignore the unequalled progress that volunteer private health insurance has made in recent years. About 130 million Americans now have health insurance protection. Nearly half the people older than 65 now have some kind of health insurance coverage. Only 25 per cent had it in 1952.

What politicians sometimes see most clearly as national needs are the real or imagined needs of specific voting blocks. In the competition to look ahead, there may not be enough looking back. People are the same as they were in Washington's or Jefferson's or Lincoln's day. They want freedom, opportunity. These are clichés, too. But they are national needs that people have wanted enough to die for. Few voters are offering their lives for an increase in the minimum wage or a new federal Department of Urban Affairs.

A businessman who makes a product that people don't want or don't need goes out of business. There are no certain market tests for needs or for politicians' promises. The payoff will be in sound government if we make sure of the facts and the needs that will be so boldly declared from public podiums through the land. **END**



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Historically, nations have collapsed because their leaders lazed in luxury while the people cried for bread.

We face a different indictment now.

Our people squander their substance on non-essentials while the poor, down-at-heels government grubs along on a pittance.

Salvation can come, the argument runs, only through individual sacrifice. We must adopt personal austerity so the federal government can have more money to provide schools, jobs, playgrounds, welfare services, houses, care for the aged, and reform for our delinquent children.

This doctrine has an understandable attraction for politicians. It permits the candidate to promise that, if elected, he will become a Robin Hood who takes from the rich and gives to the poor. Those of both parties who run on the Robin Hood ticket have to base their appeal on emotion rather than statistics.

Governments at all levels now collect in taxes almost a third of the national production. Seventy per cent of this take comes from those with incomes of from \$2,000 to \$15,000. These are the same people who buy most of the automobiles with tail fins, the dish washers, refrigerators, outboard motors and other goods that are included in the inventory of things we ought to do without so government can give us what we need.

Chastising the people for unpatriotic extravagance while, at the same time, soliciting their ballots would make sense only in a coun-

try where an aura of holiness enshrouds government programs. Anyone who suggests that a government activity is ill-advised in adoption or inept in execution opens himself to a charge of heresy.

School expenditures have grown from \$5.8 billion in 1950 to \$16 billion today with no federal government intervention. But those who point this out prove themselves cursed with an "antigovernment fixation."

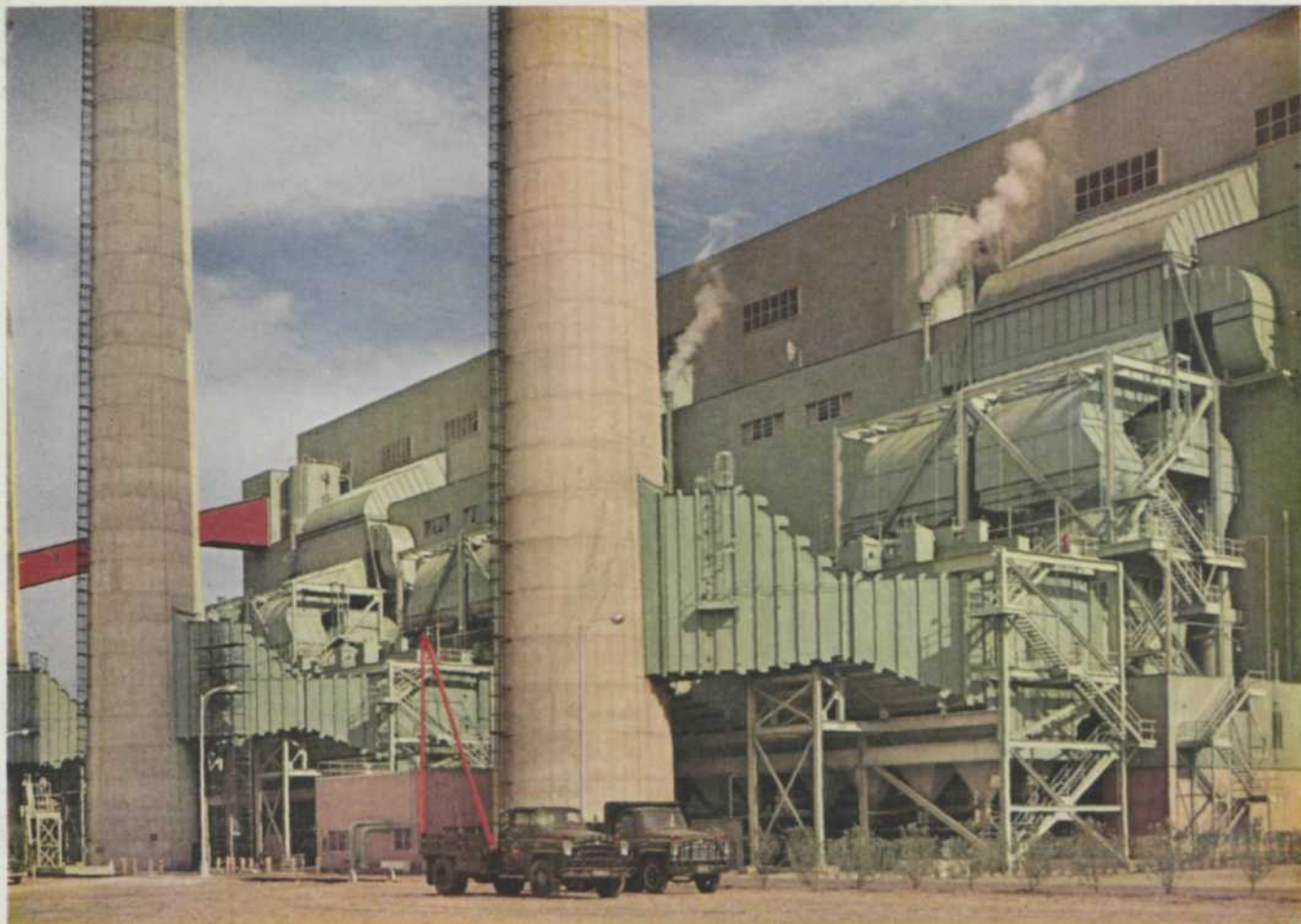
Since 1940 public expenditure for social insurance benefits has grown from \$1.2 billion to \$15.9 billion; for public welfare and assistance, from \$1.3 billion to \$3.7 billion; for parks and recreation, from \$162 million to \$685 million; for health, from \$195 million to \$806 million.

Such figures hardly support the plea that government is starving. But those who make this point stand accused as opposed to old people, the unemployed, children, the sick, and the bright new day that will come once we let the government bring to the solution of all our problems the same facility it has brought to solving the problems of farmers.

Unanswered is the question: Why—when government uses the money now spent on personal consumption to make itself responsible for everybody's security—will productivity increase as those who demand this program assure us it will? The incentive to personal improvement and the goods to make that improvement possible have been accepted as two elements essential to increased production.

But that is an old-fashioned belief. We are asked to believe now that more government spending is bold. It is forward-looking. It is progressive.

It will enable us to keep pace with Russia—where the people get the dregs of their production after government has drained the cup.



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